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1986 ALL-SUITE

lodging INDUSTRY

Laventhol & Horwath

1986 Edition

2ND ANNUAL REPORT ON ALL-SUITE LODGING OPERATIONS

ALL-SUITE LODGING INDUSTRY

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Executive Offices: 1845 Walnut Street, Philadelphia, PA 19103
$65 per copy

INDUSTRY UPDATE

by John R. Weeman Jr. and Elizabeth J. Goldsberry

To the business world, profit is what makes the world go round. And the all-suite hotel has allowed some developers and operators to achieve greater profits than those traditionally attainable in the lodging industry.

This success has attracted the attention of numerous hotel and development companies, and the number of suite properties and products available in the U.S. has grown enormously since the first all-suite hotels began operation. Suite hotels have already made their mark on the lodging industry, and due to their anticipated continued success, their significance in the entire hotel marketplace is expected to grow well into future years.

The first all-suite hotels limited food and beverage facilities, which traditionally had been a less profitable area of operation than the rooms division. Frequently, these properties offered complimentary breakfast and cocktails. Other hotel companies quickly expanded upon this concept, and suite properties with full-service restaurants and lounges were developed.

Today, there is no such thing as a "typical" all-suite hotel. Suite products vary from one another as dramatically as standard hotels do. They range from

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Established Players in the All-Suite Marketplace

Hotel Company	Average Rate	Average Length of Stay	Average Number of Suites	Number of Open Hotels	Number of Open Suites	Number of Hotels Under Construction	Number of Suites Under Construction
Amberley Suites	$ 52	2-3 Days	160	5	804	0	0
AmeriSuites	42	N/A	125	5	622	0	0
Doubletree Suites	70	1.5-2	220	1	220	1	240
Embassy Suites	65-125	3-5	225	63	14,174	25	6,593
Guest Quarters	100	2	190	9	1,713	2	400
Hawthorne Suites	71	4.5	100	6	600	0	0
Hotel Corp. of the Pacific	140	5-6	175	20	3,500	1	150
InnSuites International	60	2.5-4	140	6	850	1	170
L'Ermitage	165	3	155	5	774	2	215
Lexington Hotel Suites	30-50	15	155	17	2,627	1	157
Luxeford Suites	69	3	210	2	421	0	0
Maxims	111	2.5	254	1	254	1	254
Park Suite Hotels	70	2.5	235	5	1,181	2	550
Pickett Suites	75-95	1.7	160	4	650	1	229
Pointe Resorts	N/A	3-4	550	2	1,100	1	640
Potomac Hotel Group	94	2.2	150	6	886	1	200
Quality Inns: Comfort Suites	42.50	2.5	150	2	299	12	1,760
Quality Suites	60	4	155	2	310	8	1,453
Radisson Suites	74-79	3	245	5	1,226	4	1,045
Residence Inns	70-72	12.9	125	74	9,132	18	1,970
Royce Hotel Suites	75-100	3	215	7	1,500	6	1,000
Sonesta	80-200	5	260	2	513	0	0

N/A — Not applicable or not available.
Note: This list is not exhaustive. It does not include independent properties and is based on information gathered from interviews with the chains, September, 1986. This information was accepted without verification.

budget facilities to total luxury resorts and from limited-service properties targeting the extended stay guest to hotels with restaurants, lounges and large amounts of meeting space. Some all-suite hotels compete directly with standard commercial facilities, and some appear to be able to create new demand in the market, actually increasing the number of occupied room nights in a particular market area.

Although most suite rooms are larger than standard hotel rooms, all-suite products can also be differentiated by the type of suites available. Some chains offer a combination living/parlor area in addition to one or two bedrooms. Some include a complete kitchen, and others consist of a wet bar in connection with the standard features of a regular hotel room. It simply depends upon the particular suite company and the type of product it offers its guests. Suite hotels, therefore, have expanded their product to the point where they tend to be different for each individual chain and are related because they present their guests with a common denominator called a "suite."

Suite hotels offer their guests a higher perceived price/value than standard facilities, and consequently, suite properties are consistently outperforming others in the lodging industry. In 1984, all-suite properties across the country exhibited an average occupancy of 76.1 percent at an average room rate of $65 compared with all U.S. lodging facilities, which experienced a 67.9 percent occupancy rate at a $52 average room rate. Although overall lodging statistics decreased in 1985 due to a general decline in the U.S. economy, suite properties continued to perform better than standard hotels achieving a 69.3 percent average occupancy rate and $72.44 average room rate compared with all U.S. lodging properties, which experienced a 65.5 percent average occupancy at a $53.81 average room rate.

It is interesting to note that although occupancy rates decreased for both all-suite and standard hotels between 1984 and 1985, the amount of increase in average room rate for suite hotels during this time frame was significantly greater than that for standard properties. This can most likely be attributed to the higher perceived price/value all-suite hotels have

Long Term Plans	Areas of Development		Franchise	Management Contracts	Joint Venture
	Current	Future			
Develop 20 New Hotels Within Next 5 Years	Sunbelt	Sunbelt	No	No	Yes
5 New Hotels Annually for Next 4 Years	Sunbelt	Sunbelt (NM, TN, AR)	No	No	No
2 New Hotels by Summer 1987	Northern California	Washington	No	Yes	Yes
200 Hotels Open or U/C by End of 1990	Nationwide	Nationwide	Yes	Yes	Yes
Continue to Develop Additional Hotels	Nationwide	Nationwide	No	Yes	Yes
Presently Being Determined	Oklahoma, Texas	Nationwide	No	Yes	Yes
5–10 New Hotels Each Year Through 1991	Hawaii, California	Western U.S.	No	Yes	Yes
Total of 75 Hotels by 1991	Southwest	Nationwide	Yes	Yes	Yes
Consolidate From Past & Expand to Other Mkts	Southern California	Large Cities	No	Yes	Yes
Open 3–5 Hotels Annually	Southeast & West	Nationwide	No	Yes	Yes
Open 15 New Hotels by 1990	Minnesota & Texas	Nationwide	No	Yes	Yes
Open 5 in Next 5 Years	CA, NY	Nationwide	No	Yes	No
Open 10 Properties Per Year	Nationwide	Nationwide	In Future	Yes	Yes
40–45 Hotels Open by End of 1990	Midwest & Southeast	Nationwide	No	Yes	Yes
Open 1 to 2 More Hotels in Future	Arizona & California	N/A	No	No	No
Develop 12 New Hotels in Next 12 Months	Wash D.C., VA, MD	Eastern Coast	Yes	Yes	Yes
Open 300 Hotels by End of 1990	Nationwide	Nationwide	Yes	Yes	Yes
	Nationwide	Nationwide	Yes	Yes	Yes
Presently Being Determined	Nationwide (IL, CA, SC)	Nationwide	Yes	Yes	Yes
Open 400 Properties by 1990	Nationwide	Nationwide	Yes	Yes	Yes
Open 10 or More Hotels Annually	Nationwide	Nationwide	Yes	Yes	Yes
N/A	FL	N/A	Yes	No	No

and consumers' willingness to spend more for this perceived higher value.

There are several markets across the country where suite hotels are rapidly being developed to the point where they are competing with other suite properties as opposed to competing solely with standard commercial facilities. Three specific market areas where this type of significant growth has occurred are Atlanta, Georgia; Costa Mesa, California and Dallas, Texas.

In Atlanta, suite hotels are coming on line at a rapid pace. Approximately half of the suite products in that market opened during 1985. In addition, 25 percent of the hotels planned to begin operation during 1986 through 1988 are anticipated to be suite properties. Because the suite market is so new in Atlanta, it is difficult to judge performance levels at this time. Currently, however, suite properties appear to be performing at the same or somewhat higher levels than standard hotels, even during their first years of operation.

This seems to indicate that there certainly is a market for the suite hotels. They compete well for commercial business. This may be partially because suite hotels are often perceived by upscale commercial travelers as a prestigious type of accommodation. Due to current performance levels of all-suite facilities and plans for suites in this area in coming years, it is anticipated that suite hotels will be strong competitors in the Atlanta lodging market well into the future.

Costa Mesa also has a significant number of suite properties, which began operation within the past year or are planned to open in the near future. In this market, suite hotels are being built next door to other suite properties, with four specific suite hotels already open and operating within walking distance of each other. Although it is again premature to make absolute predictions regarding the outcome of suite performance versus standard commercial hotel performance, it is currently anticipated that suites in this market will achieve an 8 to 10 percent premium in occupancy compared with the market average and a 5 percent premium in average room rate. Most of the suite properties operating in this area already achieve their fair share of captured hotel rooms even during their early years of operation. For this reason, it does not appear that the opening of a significant number of suite hotel rooms in the Costa Mesa area has hurt overall occupancy levels. This seems to indicate that these facilities are not only competing with commercial hotels in that market, but are possibly deriving new demand into the area. By offering guests a new product, they may be capturing hotel demand from people who previously did not use hotel rooms in that market.

The Dallas hotel market includes representatives from a significant number of all-suite hotel companies. Within the Dallas/Fort Worth metroplex are Amberley Suites, AmeriSuites, Embassy Suites, Hawthorne Suites, Lexington Hotel Suites, Park Suite Hotels, Radisson Suites, and Residence Inns.

Almost all these suite hotels currently achieve premiums in both average occupancy and average room rate compared with their respective market averages. These premiums, which indicate success in the lodging industry, have been exhibited by suite hotels in the Dallas area as well as in Atlanta and Costa Mesa. It appears the suite phenomenon is not specific to only one area, but is consistent among marketplaces.

The takeovers by Embassy Suites of Granada Royale and by Hawthorne Suites

New Entrants into the All-Suite Lodging Industry

Hotel Company	Average Rate	Average Length of Stay	Average Number of Suites	Number of Open Hotels	Number of Open Suites	Number of Hotels Under Construction	Number of Suites Under Construction
Anchorage Corp.	$50-65	N/A	105	0	0	1	105
Brookshire Hotels	N/A	N/A	135	3	400	0	0
Country Inns	65	3 Days	115	4	450	2	350
Days Inn	52.86	2.8	617	1	617	N/A	N/A
French Quarter Inn	76	2	130	2	225	0	37
Governor's Inns	60	1.5	50	4	200	2	120
Hillmark Bradbury Suites	55	N/A	150	2	300	1	N/A
La Corte Inns	N/A	N/A	67	0	0	0	0
Marriott Suites	75-100	2.5-3	224	0	0	1	224
Plaza Suites	75	4.5	80	3	248	0	0
Quality Inns Royale Suites	85	3	250	0	0	2	500
Raffes Inns	N/A	N/A	N/A	0	0	4	715
Raintree Inns	55-70	4-5.5	150	0	0	3	450
Woodfin Suites	85	9	varies	3	476	20	N/A

N/A—Not applicable or not available.
Note: This list is not exhaustive. It does not include independent properties and is based on information gathered from interviews from the chains, September, 1986. This information was accepted without verification.

of Brookhollow Inns and the affiliation of Residence Inns with Holiday Corporation were all reported in the 1985 edition of this study. Embassy Suites and Residence Inns alone currently comprise approximately 30 percent of the total suites in the U.S., which exemplifies the major commitment Holiday Corporation has made to the all-suite industry.

Other chains seem to realize the potential of all-suites and are trying to participate in this segment of the lodging arena. Marriott Corporation, Quality Inns and Days Inns—all well-established chains in the lodging industry—currently are in the process of developing their own versions of the all-suite hotel. Numerous independent chains also have emerged with all-suite products. As shown on the chart of new entrants in the all-suite lodging industry, there are at least 14 new independent chains currently developing their own suite products.

Many independent chains are successful with their suite properties, while others suffer under the constraint of a lack of capital. Although some major hotel companies are developing their own suite products, others are investigating the strategy Holiday Corporation used: acquiring an existing all-suite chain. Competitive suite chains that would benefit from additional capital are prime candidates for acquisition and offer major hotel companies an immediate presence in the all-suite market.

Beacon Hospitality recently purchased Guest Quarters to further its participation in the suite market. Other companies have also seen major transitions in the past year including Lagniappe Suites. This product consists of small properties averaging 50 rooms with average rates of approximately $60. This small chain changed hands several times during the past year as it was purchased by EconoSuites, then became Patrick Henry Inns. Currently, it is affiliated with and being developed as Governor's Inns.

Other takeovers and new affiliations should occur in the future as successful independent chains are noticed by other, often larger hotel companies as potential opportunities for participation in the all-suite segment.

An analysis of the accompanying chart in all-suite construction reveals several significant aspects of the change in the suite industry during the past year. On the whole, the average length of stay most suite chains experienced increased during the year, as exemplified by Residence Inns, which currently achieves a 12.9-day average length of stay in comparison with the six-day average indicated in 1985. This increase is more dramatic than in most of the other suite properties, but none of the companies contributing to this category in the 1986 chart experienced a significant decrease in average length of stay during the past year, and most exhibited increases in this area of performance.

Average room rates, reported by the individual chains, did not show the same upswing. Rates varied little between 1985 and 1986. This may be a preview of the suite companies' response to increasing competition and "hard times," in general, in many of the lodging markets where suite properties are found. No definitive conclusions can be drawn on rate performance for 1986 until statistics become available sometime next year.

Most of the companies currently in the all-suite industry have matured since last year's study was published. Plans for development are, on the whole, more defined than they were previously, and several chains that said plans were "being determined" a year ago now have specific

Long Term Plans	Areas of Development		Franchise	Management Contracts	Joint Venture
	Current	Future			
100 Hotels Open Next 5 Years	NE Coast (I-95)	NE Coast (I-95)	No	No	No
15 Hotels Within Next 5 Years	Arizona, Maryland	Northeast Corridor	N/A	N/A	N/A
2000 Rooms Total	Western U.S.	Western U.S.	No	No	No
N/A	N/A	N/A	N/A	N/A	N/A
Develop 3–5 Hotels Annually for 3–5 Years	Southeast	Southeast & Southwest	N/A	N/A	N/A
10 Properties by End of 1986	Southeast	Nationwide	In Future	Yes	No
N/A	GA	N/A	Yes	N/A	N/A
Within 8–10 Months: 2 Open, 4 Under Construction, 10 More the Following Year	MN	MN and Adjacent States	Yes	N/A	N/A
Open 40 Hotels by End of 1990	Atlanta	Nationwide	Limited	Yes	Yes
N/A	N/A	N/A	No	No	No
N/A	N/A	N/A	No	No	No
N/A	CA	N/A	N/A	N/A	N/A
15 Opened by end of 1987	CO, TX	Southern CA	Yes	Yes	Yes
N/A	N/A	N/A	N/A	N/A	N/A

development goals for several years into the future.

Chains such as Luxeford Suites and Pickett Suites are even undertaking more aggressive development than they had originally planned. On the other hand, 1985 statistics show a decline in the overall lodging industry, and all-suite hotel companies are not exempt from the effects of a changing economy. Even chains that experienced increases in both average length of stay and average room rates have more modest development plans now than they indicated a year ago. The change in plans that many suite companies have exhibited since last year appear to be indicative of the modifications necessary for this segment to grow and mature into a vital component of the total lodging industry.

The influence all-suite hotels have had on the entire lodging industry bears great significance. Motivated by performance and profit, developers now have a new product that consistently outperforms standard hotel facilities. Major chains have become interested in suite properties and their participation in the development of suite hotels has made a major contribution to this segment of the lodging market. Independent chains have emerged, and the wide variety of suite products available to the lodging guest differs dramatically.

The growth of the all-suite industry has been strong and, in a relatively short period of time, suites have become a very important aspect of the hospitality industry. This growth is anticipated to continue well into the future. While their impact has already been felt, all-suite products are expected to influence the standards of lodging in this country for many years to come.

ATTRACTING THE ALL-SUITE CUSTOMER

by Mark Harris
President, AmeriSuites

All-suite properties enjoy only limited visibility among perspective business and commercial customers within local markets. Moreover, all-suite properties have very limited exposure outside their immediate market areas.

The lodging industry is in a state of transition, with more new lodging options and competitive rates available than ever before. Established chains are retaliating with improved amenities, aggressive promotions and overall reduced rates. Building is expected to continue for several years, adding to the abundance of surplus lodging and intense competition for lodging customers.

Comprehensive sales and marketing activities in local markets have been launched to increase awareness of the all-suite concept. Direct sales is the primary means of accomplishing this end.

Lodging customers tend to be more brand loyal than purchasers of other commodities. Frequent travelers often develop a lodging routine and are reluctant to try a new hotel.

To attract the "conditioned" consumer, aggressive promotional programs designed to spur initial trial and purchase have been implemented across all target markets on both a local and corporate level.

The price conscious all-suite customer has had little or no experience with hotel suites as a lodging alternative. The word "suite" projects "high price" to consumers. Special communication strategies, therefore, have been designed to familiarize and entice prospective customers with the all-suite concept.

To offset higher price expectations associated with suites, rates are a primary communications point of all local and corporate advertising and promotional programs. As such, the hotel's rates, an integral part of the overall value concept, offsets consumer misconceptions regarding upper-tier pricing.

Prudent application of resources is critical to the effectiveness and efficiency of marketing and sales programs. Direct sales is the most cost-efficient, controllable and competitive vehicle for immediate business and, therefore, drives both local and corporate programs.

More than ever before, consumers can demand more value for their dollar. The affordable all-suite concept is designed to satisfy consumers' desire for value while fulfilling their need for affordability.

AmeriSuites is aggressively seeking several target markets that have a particular need/attraction to the affordable, all-suite concept. While emphasis is placed on the business traveler, other prime targets are not excluded. Experience with these segments in 1986 will provide valuable guidance regarding design and direction of marketing and sales programs in the future.

The ultimate success of any new property depends on many factors. The new property should be visible from a major intersection and convenient to area business. It should be situated either in major metropolitan or suburban locations near activities that include the following demand generators: major corporate headquarters, major hospitals, research and development centers, commerce and financial centers and training centers.

New locations are being created in the Southwest due to the dynamic population growth in that area. All locations with proximity and accessibility to other complementary activities such as restaurants, convention centers, sports events, transportation and grocery shopping are ideal.

Corporations, business travelers and relocated families will seek out properties in secondary locations once market recognition is established. Conscientious use of outdoor advertising must be used, as well as local community sales and public relations activity. New establishments should work toward an image through standardized building design, logo, amenities and management.

AmeriSuites is an economically priced all-suite hotel chain. The prototypical AmeriSuites hotel is a 126-suite hotel, constructed on a three-acre site, developed at a cost under $40 000 per suite.

The market segments targeted by AmeriSuites are the business traveler, extended-stay guest, escape-weekend guest, destination tourist and conference attendee.

The company is currently operating five all-suite hotels and is planning to develop five new all-suite hotels each year for the next four years in Sunbelt cities.

We believe the potential for the all-suite segment of the hotel industry is excellent, appealing to today's discerning consumer lifestyle.

HOTEL DEVELOPMENT—SUITE DEAL OR NOT?

by Donald E. Redford
Executive Vice President,
Amberley Hotel Corporation

Many lending institutions and some developers have rigid rules against even considering a hotel deal. Yet new hotel properties and endless rumors of overbuilding in the hospitality industry abound, as well as horror stories of financial disaster and tales of unlikely success. The confusion surrounding this rather large segment of the real estate world results from a basic failure to acknowledge the complexities of the business.

While the basic concept of providing shelter and nourishment is ancient, hotels as we now think of them are a relatively new phenomenon. The various types of hotels and specific definitions for each would require pages of descriptive information. Our focus, however, is directed at all properties that fall within these basic guidelines: 50 or more rooms, less than 30 years old, serving primarily transient guests and, specifically, are not resorts or major convention hotels.

Early facilities in Colonial America were commonly road houses or taverns. As cities grew, larger, more luxurious and more complex hotel facilities emerged. The hotel became the focal point of social and business activity.

Two factors converged in the late 1940s and early 1950s that changed the industry dramatically. The automobile and the improved highway system that evolved as a natural outgrowth of its use was the first factor. World War II was the second. Even before the war, the ubiquitous tourist court had started to appear. People could travel by car on their own schedule. The war significantly stimulated travel. Literally millions of people could take a family vacation and visit places only dreamed of previously.

Holiday Inns founder Kemmons Wilson captured an idea and built an empire on these changing social and economic forces. His Holiday Inns established the new standard of what a hotel facility should be. Almost an entire decade was devoted to the further proliferation of these forces. National motor inn chains sprang up along with the expansion of the interstate highway system. Some large hotels in major metropolitan areas survived, but literally thousands in the secondary and tertiary cities slowly closed down. They simply could not compete with the new products available.

During this period, many developers got into the hotel business. The common "knowledge" among developers and lenders was that success was insured with a decent location and a "national chain" franchise. In many cases this theory was correct. Over time, the motor inns became more sophisticated because vending machines, free ice and convenient location did not meet all the needs of the traveling public. The professional hotelier was called upon to integrate some of the finer points of his profession back into the operation of more complete facilities. As the product became more complex and emphasis was placed on knowledge of hotel operation rather than just physical facilities, many developers and lenders became victims of the "knowledge" that had earlier provided a formula for easy success.

The trend toward more sophisticated operation and marketing created an environment where inexperienced developers made serious errors in site selection, product selection and, most important, management selection. This was the source of many of the so-called horror stories. Actually, the results were predictable because these ingredients, essential for successful hotel development, were either ignored or simply rationalized away.

The next major change was also caused by a collection of complex factors. Leading the pack was the energy crisis of the early 1970s. For the first time gasoline was in short supply and the cost became onerous. Travel by car decreased dramatically. The roadside motor inn suddenly became obsolete and only those hotels with other markets available to them survived. This period brought about a second wave of real horror stories, promulgating numerous failures of both good and bad developers because of the sudden change in the "rules of the game." Never before had such far-reaching forces hit the industry with instant impact and irreversible consequences. The picture was not all doom and gloom, however; after the initial shock and the recession of 1975, the entrepreneurial developer soon found new areas of fertile ground.

The late 1970s brought energy awareness, hyper-growth of certain metropolitan areas, a virtual land rush to the Sunbelt, airline deregulation and inflation. All of these factors generated markets for new hotel development but none as dramatic as inflation. This was the substance of the real estate developer's dreams and the fuel that drove ever-increasing records in home building, office, retail and most certainly hotel development.

While inflation frequently demonstrated a "down side" in operating costs, the overall effect was a continual "build out of your problems" syndrome; thus, for many, the inflation merry-go-round was a delightful ride until it was time to get off.

During the 1970s, but particularly after 1975, the mainstream of the hospitality industry engaged in an absolutely fierce competition of one-upmanship to constantly improve the product offered. Almost without exception, more was better. The industry produced larger guest rooms, larger conference/convention facilities, two restaurants, two cocktail lounges, more brass, more marble, more etched glass—all in the name of product improvement and marketing edge. Why not? The public was acclimated to infla-

tion and could be led to a higher expectation level and a higher price (average room rates increased at a faster pace than inflation).

However, another interesting phenomenon was occurring simultaneously. Almost a personification of Newton's Law ... "the equal and opposite reaction" ... was occurring. The advent of the budget property was a result of an extremely large segment of the population simply unwilling to pay ever-increasing rates for the basic services of a clean bed, a clean room, a television and a telephone.

By 1982, the industry had grown exponentially in approximately 30 years, but the very real similarities in the public's choices were not unlike those available in the pre-Holiday Inn era. The choices were polarized in both time periods and were generally either overpriced/overrated facilities that left the average traveler feeling victimized, or low-cost Spartan facilities that did not fully satisfy travelers' needs.

Ironically, both eras created a ***market driven*** product to provide the necessary relief. The motor inn met the market needs of the 1950s and 1960s and filled the huge void in the middle market. The ***current market*** driven solution to the polarized situation is the suite hotel.

The suite hotel was developed by a meager handful of developers who literally backed into a variation of the hotel business. In all cases they were apartment developers who found they could rent a unit short term, with no lease, for a higher rate. Ironically, the first such facilities had been unsuccessful as conventional apartment developments so short-term rental was a viable alternative.

Initially, these strange facilities were almost totally ignored by the mainstream of the industry. Yet two groups quietly grew, made substantial profits and grew some more. By 1980, several large chains and many individual developers were watching closely as the concept of offering a suite instead of a room evolved. Suddenly, through a master stroke of marketing, one of the companies decided to offer free breakfast and free cocktail hour. Business flourished. By 1982 the suite hotel had changed from "strange" to "a unique product with a relatively small niche in the market."

Market acceptability has been proven. The public enjoys a new price/value alternative to the polarized choices mentioned earlier. The suite appeals to both men and women, to single business people and vacationing families, to short-term visitors and the extended-stay guest. Developers like the program and lenders like the yields in their participating loans. Life is wonderful. Not quite! Real problems exist today that were not present in the 1950s. In fact, some of them are a direct outgrowth of the cycle that capitalized on the motor inn as the solution of that era.

Throughout the motor inn era, not only did national chains develop through franchising, but large "chains within chains" soon appeared. There are not only many more hotels now in existence but, more important, many more hotel companies. The success of the last cycle was so great and the period so recent that many more people are not only aware of the potential in new product development but they also are very willing to take the risk.

Too, the franchise companies have obviously learned how to mobilize quickly to market their particular product. Evidence of this is the proliferation of new brand name products by the major chains. Marriott has Courtyard by Marriott, a mid-priced product; their "typical" Marriott hotel, an upper mid-priced to upscale transient/convention/conference/resort product (that one is hard to pin down); the new mega-convention property called Marriott Marquis; and a suite hotel currently in development. Quality Inns also has a buffet of products in Comfort Inns, Comfort Inns Suites, Quality Inns, Quality Inn Suites, Quality Royale and Quality Royale Suites. Holiday Corporation now has Holiday Inns (they call it their core property type); Holiday Inns with Holidome (slightly upscale); Holiday Inn Crowne Plaza (upscale); Hampton Inns (budget/limited-service); Residence Inns (extended-stay suite product), and Embassy Suites (upscale suite product).

Radisson, Royce, Ramada and others all offer variations. This segmentation process started before the suite product hit full stride in popularity and acceptance. New products like Comfort Inns and Hampton Inns have been heavily merchandised, and literally hundreds of franchises sold. It is my opinion they will prove to be a short lived flash-in-the-pan. These products are not new. They are only variations of the budget side of a polarized market, a polarization that has been strengthened during the past two years. They are too easily financed and very susceptible to poor management. The real winners in these specific products and other similar ones are the franchisers. The losers will be, in many cases, the developer and lender.

The other extreme, upscale, full-service hotels, has not kept the frantic pace of their budget-oriented brothers, yet are still being built. The problem here is that the market for this product is very thin and the supply of luxurious, first-quality facilities surpasses the supply of luxurious, first-quality expense accounts. Large hotel companies, the prestigious "world class" developers and the mega-lenders are all guilty of contributing to the continual expensive embellishment of the upscale hotel. The egos, both personal and corporate, contributing to this trend are astounding. Again, much of this thinking started when inflation permitted such extravagances. Inflation is now gone but the mindset of too many developers, lenders and operators seems to be cast in bronze, chiseled in marble and etched in fine crystal.

The new alternative is the suite hotel concept. This truly new product has many advantages and carries tremendous potential. The price/value relationship is better than either of the polarized extremes. The physical comfort aspects of the suite match nicely with today's high-tech, high-touch social environment. Most important, the product started as primarily a mid-market item with appeal to the vast majority of travelers.

If the suite hotel concept is allowed to mature and meet its potential, it can be as astonishing a success as the motor inn in the 1960s. Again, there are problems. More hotel companies with franchise "machines" in place means a much quicker response and possible overbuilding. In addition, with a variety of suite products suddenly appearing, the consumer may become disenchanted by never knowing what to expect.

All of these factors add up to new product exploitation through a profusion of variations. Already, there has been segmentation into several different price categories. Some have one room; some have two. Some are limited service; some are full service plus.

Another aspect of this product segmentation is efficiency. The original suite

hotel had no food and beverage service, very limited hotel services of any type and extremely high operating profits. Later, the free breakfast and free cocktail hour, 24-hour telephone service, 24-hour front desk operation, valet service, airport service and other extras were added. While some operating margins were sacrificed, the increases in volume often offset any significant loss. As more suite hotel operators came into existence, a few innovative concepts were instituted that preserved favorable operating margins while still offering all standard hotel services.

The key has been to limit effectively the square footage devoted to public spaces (lobbies, restaurants, bars and meeting rooms) and to design high efficiency into the physical facilities. The danger is that high-end suites with facilities attempting to match high-end conventional hotels will lose the very advantage that made them attractive to both the lender and the developer. Budget suites are also losing efficiency margins compared to conventional budget hotels in both development and operating costs on the basis of square footage. It simply costs more to build suites. Not surprisingly, labor expense increases with more square feet per rentable unit.

This cycle may be shorter or longer than the last, but it will certainly be more interesting. Consolidations and shakeouts are predicted. Overbuilding is being talked about more often. Long term, the challenge is in determining precisely what to build where and when.

Today's hotel developer faces relatively straightforward guidelines in spite of the confusion we have discussed. Location is still king. Access and visibility are natural subheadings. Market demand must be thoroughly analyzed and clearly defined. Hotel projects should be considered to fill a market demand and not attempt to create one.

The lender should look for sound experience in development and hotel management. He should not rely on brand name only, but the experience, abilities and concepts/goals of the people involved. In some cases, the developer will also be the operator, although this is not mandatory. The developer, if he is not the operator, must place great importance on the operator. Again, looking beyond brand name or franchise "system," the operator must have experience, ability and motivation to perform at a high level.

The final conclusion is, whether developer, lender or operator, should your next hotel deal be a suite product? However, it is extremely important that the right suite hotel is built in the right place and, most important, operated by the right group. It is easy to give lip service to these principles and to rationalize your way into a bad deal. Remember, developing a hotel involves much more than must be considered in developing other types of real estate. Since hotels are an ongoing business, management and marketing automatically become as important as location and physical facilities.

Hotel development is a high-potential and relatively high-risk proposition. It should be approached with caution but certainly not ignored. Almost certainly, sweet success will be linked to suite development, a process that can be very rewarding if the many facets of hotel management and marketing are properly blended into the real estate development process.

REFLECTIONS ON THE ALL-SUITE PHENOMENON

by Michael M. Dickens
President, Guest Quarters, Inc.

During the past year, growth in the all-suite industry has reached historic proportions. This growth and plans for accelerated future development have caused hotel industry observers and operators to question whether this bullish response to all-suites is justified.

Guest Quarters owns and operates only all-suite hotels. Obviously, we have a bias toward this segment of the marketplace. Nonetheless, we also have some concerns about the proliferation of all-suite chains and products and what that will do to both the health of the industry and to consumers' confidence in and understanding of this newest hotel category. Guest Quarters has owned and operated all-suite hotels since the all-suite industry began. In our 14 years of operation we have learned a number of lessons about all-suite hotels, how they work and why they work. These lessons are a useful starting point in an understanding of all-suite hotels and serve as a frame of reference in trying to predict the future.

One of the early and most important lessons we learned was that sales calls were the most important producers of room nights for our hotels. The calls were necessary to communicate the benefit of the suite to the customer. Today, more guests than ever know about and appreciate all-suite hotels. Nonetheless, we are still years away from selling our product in an environment where consumers are as familiar with all-suite hotels as with standard-room hotels.

Another important lesson we learned is that while the suite itself is an extremely significant benefit to almost all hotel consumers, it is not "all important." It is not the only factor the guest considers in selecting a hotel. From a manager/developer perspective, everything you have to do to produce a successful standard-rooms hotel you need to do for a successful all-suite hotel. That means that a good location, a quality marketing effort, consistent service and a stable and well-trained staff are all necessary ingredients for success. Actually, in some ways an all-suite hotel may be more susceptible to management risk because all-suite hotel guests tend to stay longer and/or more frequently and they notice more of the good or bad aspects about a hotel and its operations.

Our belief in the validity of these two lessons doesn't diminish our optimism about the all-suite market. It just tempers our enthusiasm with reality. There has been a great deal of research conducted by us and other hotel companies over the past few years about the size of the all-suite market. The latest consumer research we performed was in the fall of 1985. Our research revealed that two-thirds of all business travelers are now or potentially will be all-suite customers. Approximately one-third of that subgroup has already experienced all-suite hotels and will continue to use them, and the other two-thirds of the group expressed some awareness of all-suite hotels and an intent to try them.

We believe that the generally accepted parameters of potential all-suite growth to 25-35 percent of all hotel rooms is a reasonable response to what consumers are saying. Successfully achieving that growth, however, depends on the economic well-being of the entire industry. Overbuilding within many of today's marketplaces will decline and, in some cases, stop until economic conditions improve. One opportunity for growth for all-suite hotels, even in some of the overbuilt markets, is in the conversion of standard-room hotels to all-suite hotels. This will become an increasingly viable strategy as the per room value of these hotels falls and the market acceptance and appreciation for the all-suite alternative increases.

The all-suite industry is coming of age. The growth fueled by the enthusiasm of entrepreneurs and developers continues and now is being augmented by large hotel companies, such as Holiday Corporation and Marriott. Customers familiar with the all-suite product show a remarkable enthusiasm and loyalty toward the product, but there are still many years of educating consumers before most business travelers understand the benefits of all-suite hotels. The suite, while a critical ingredient to success, is not in itself a guarantee. It still takes the same combination of good location, aggressive marketing and solid management to develop successful hotel ventures.

ENTERING THE ALL-SUITE MARKET

by G. Michael Littler,
President, The Hotels Luxeford, Inc.

As an independent, the problems of entering the all-suite market are probably no different from those experienced when inaugurating a standard hotel product. The facts are simple: the hotel market is dominated by a handful of major chains, with giants such as Holiday Inn and Marriott predominating. Broadly speaking, the consumer takes the safe route and buys the brand that has the strongest presence. It's the reason that Sears does better than Montgomery Ward, that Coca-Cola does better than Dr. Pepper. It's important, too, that consumers have access to the product they want, in the location they want. It won't help Coke, Sears or Holiday Inn if their product is not available to consumers. But companies such as these have the resources to be sure they are represented in the appropriate places.

And that's the problem for small operators. They cannot be considered, and never will be considered, a national product. Any attempts to market nationally will be doomed to failure. And dollars will be wasted.

Any new entrant to the all-suite market, whose strategy is to develop the company so it *can* become a national chain, is confronted with a dilemma: How do you create an image that implies your national intentions (and so attracts investors) without spending at levels that are uneconomic in relation to the two, three, four or five hotels you have established? You cannot achieve that balance. Either you commit to a quite separate promotional expense, at high cost, aimed at investors (while planning to supplement your corporate staff in a hurry as soon as you've signed up some prospects), or you decide to operate what you have, within reasonable constraints of good management, and hope that the quality of what you do will stand up on its own and, over time, attract investors. Both strategies are risky. In the first, you'll possibly exhaust your financial reserves too soon and compromise your ability to hold onto what you already have. In the second, you may find your markets overrun by giant corporations before you've had time to prove the success of your product.

What's the solution? It's simple, it's been tried before, and it works. It's a referral organization—for all-suite hotels—similar to Preferred Hotels or Leading Hotels of the World. It's been done by Best Western and Friendship Inns, with great success. *It is not a franchise.* As independents, we don't want to give up our independence yet, because we might succeed under our own brand name.

Consider how it works. All-suite hotels are currently a tiny segment of the marketplace. Consumers love them. But there's a large inventory of regular hotel rooms on the market. In many locations, the present scenario indicates massive oversupply of accommodations. As a result, all-suite hotels aren't going to grow at the rate we anticipated. This compromises our ability to piggyback on the giants. They're not moving fast enough to put products in the ground that will alert the market to what an all-suite hotel is. Embassy Suites' recent decision emphasizes this point. They're a Holiday Corporation subsidiary. The parent company is known worldwide. But the product is so different, they don't dare market it under the Holiday banner or within the Holiday reservation system. To get the word out internationally, they recently announced they would affiliate with Utell International's reservation service. The giant is saying: "We need a third-party link to offer our new and special product in nondomestic markets. It would presently be uneconomic to do it alone." Undoubtedly, they eventually will do it alone, once they have enough product to support the cost.

Embassy Suites' international dilemma is no different from the independent all-suite operator's national dilemma. We need a third-party referral service, until we're ready to operate alone.

The attraction for each of us (as it must be for Embassy Suites) is that we can each maintain the integrity of our own product. After all, we firmly believe that our own concept is the one that will "catch fire." And so it should be. No entrepreneur ever succeeded by believing his product was inferior.

How does it work? In my case, I keep my name—Hotel Luxeford. But I have a tag line identifier: "A National All-Suite Hotel." It appears on my brochures, letterhead and in my advertising. A brochure rack with an identifiable logo is prominently displayed in my lobby, which contains brochures of all participants. I offer to make reservations, on behalf of all my check-out guests, into a National All-Suite Hotel in their destination city. I pay for the call. I contribute an annual fee to the organization. In return, the organization places national advertisements, listing its members. There's a national toll free number. And, it's cheap to operate, because it's not a reservation service. It gives the inquirer the 800 number for the desired hotel. After all, customers and travel agents prefer to deal directly with the hotel of their choice. They're a little uncomfortable with faceless reservationists in corporate headquarters.

Certainly, there's more to it than that. But you get the idea. And in the meantime, you're left with the time to do what you know is right, practical, feasible and cost effective. That is to promote your product effectively within its local market area, adjust and refine your operating philosophies as you gain experience, and expand carefully as you build cash flow. It's the cautious approach that builds respect among lenders, keeps you from the bankruptcy court and perhaps from an early grave.

STRATEGY FOR AN OVERBUILT MARKET

by Hervey A. Feldman,
President, Embassy Suites, Inc.

The all-suite hotel business is very much in its infancy. Commenting on anything as new or as rapidly changing as the all-suite segment is a risky proposition at best. We don't know the depth of the market yet, and we don't know all there is to know about the all-suite customer. The reason for this is the environment within which we operate is, for the most part, beyond our control. However, *most* of what we do know has been very positive. I only wish it were all good news.

Each day, it seems, we hear about yet another company that wants to get on the all-suite bandwagon, proposing to "do it better" than the other guy. In spite of the fact that we at Embassy Suites have certainly enjoyed our success, there is no such thing as a sure thing.

Future development in our industry is very uncertain. The hotel industry is faced with troubled times right now, stemming from a bigger issue: the unattractive real estate market driven by an oversupply of everything—office buildings, apartments, condos, and certainly hotels. And this issue will probably be with us for the next 36 months or so.

If you look at today's real estate market—based on today's development and construction costs, and the continuing high real interest rates—most real estate development doesn't make any sense, including hotel development. Change the tax laws as proposed by Congress and most deals go from infeasible to impossible, viewed only on an economic basis.

Some people think of all-suite hotels as a cure-all, that an all-suite hotel will thrive where a traditional hotel will not. I disagree. Even with a proven product, if you overspend, or overleverage, and build into the face of thousands of new hotel rooms—in effect, double digit and triple digit supply additions versus demand increases of 5 percent or less—you will fail.

Changes in economic times and product have seen some great hotel names pass from the scene: Boss, Eppley, Hotel Corporation of America, Knott, Pick, Statler and others. Today we could make a similar list of distressed situations, and some of those names would be all-suite. I predict that before it's over there will be other names—some known, some unknown—added to that list.

This is not the first time this has happened in our industry. It is a cyclical phenomenon that occurred in the mid-1950s, the mid-1970s, and now in the mid-1980s. Also, note that the cycles are getting closer together.

There is one key to positive growth in what may be the worst crisis our industry has ever faced. ***Buy, don't build.*** Let's look at taking existing products that are failing, or have failed, and making them financially sound. Then today's developers—rather than starting from scratch—will be reconstituting what's already out there, whether it's midscale, upscale, limited service or all-suite.

In the past year, we have converted two existing hotels to the Embassy Suites name: the International Plaza in Orlando (an independent) and the former Park Suite hotel in downtown Denver. We plan to convert other brands or independents to replace some new construction that we otherwise would have started. We are spending a lot of time looking at what is already out there that can be converted to Embassy Suites hotels without stretching the credibility of our brand character. We have already identified approximately two dozen such opportunities. It is far better to acquire a well-built, well-located, marketable hotel for less than replacement value, or substantially less than replacement value, and bring it under the wings of Embassy Suites or some other existing, well-established brand than to contribute further to the overbuilding problem.

The all-suite hotel has lately been the darling of the industry, and no one can doubt the many successes that have been achieved. We look to the future with the hope of a change in the tax law and changes in lender, developer, owner and operator attitudes that will once again return sense to all real estate development, and particularly hotel development. Meanwhile, market viability, proper costs, proper leverage and financial sponsorship, proper brand and marketing, and proper operation are still key to successful development of any hotel product, all-suite included.

A COMPETITIVELY PRICED HOTEL ALTERNATIVE

by B. Anthony Isaac
Senior Vice President, Operations,
The Residence Inn Company

The all-suite industry is growing rapidly, and like the rest of the hotel industry, it can be divided into specific market segments—frequent business travelers, with stays of short duration; short (one to two days) business meetings; extended-stay travelers and weekend/leisure travelers.

Suites provide an attractive alternative to the traditional hotel room and provide the following benefits:

- Spacious suites that provide a roomy atmosphere when compared with commercial hotel rooms.
- A separate living area that can be used for small meetings or as an office.
- A home-like atmosphere for privacy and relaxation.
- An attractive price/value relationship.

The Residence Inn initially identified and targeted the extended-stay segment of the industry as travelers who spend five or more consecutive nights in a hotel. Approximately 5 percent of the 600 million total room nights demanded each year are extended-stay in nature. Currently, four basic market segments exist: temporary assignments, training, consulting/auditing and relocation.

To accommodate the extended-stay guest, the Residence Inn Company provides upscale, residential-style suites in spacious settings with private entrances. The one-bedroom studio suite is 550 square feet; the penthouse suite (with an additional loft bedroom and bath) is 820 square feet.

Each suite has a fully equipped kitchen, including full-size standard appliances. Maid service is provided, as well as complimentary continental breakfast and a grocery shopping service. Most suites feature a wood-burning fireplace, and most hotels offer a complimentary hospitality hour.

The Residence Inn is competitively priced with other upscale hotels and features a sliding rate scale with a three-tiered rate structure. As the length of stay increases, the cost per night decreases. Occupancy levels are well above the market average; the average length of stay for The Residence Inn is 12.9 nights.

Marketing efforts are extremely targeted, concentrating on direct sales at the property level. One salesperson is employed for every 45-50 rooms, compared with the industry average of one for every 100 rooms. A national reservations system also plays an important role; reservations have increased substantially as new hotels have opened. National sales target key accounts, and hotel advertising is directed to extended-stay travelers in key industries (e.g., communications, aerospace) through placements in vertical publications.

With these marketing systems in place, over 10 years of experience and an uncompromising orientation toward the extended-stay segment of the industry, The Residence Inn is confident of its position in the all-suite industry and its future growth potential.

STANDARDS FOR ESTIMATING LODGING DEMAND

by Bjorn Hanson
Senior Principal
Laventhol & Horwath, New York

One of the most important factors in selecting a site for a new lodging property is determining whether a market area can support the development. This is particularly true when an area has no lodging or comparable hotel supply or is experiencing rapid growth of office space, institutions and tourist attractions.

In mature market areas, estimating demand generally is done by combining current area occupancy with projected growth of demand and known or likely future lodging supply. Most professionally prepared market studies use complex models focusing on growth and penetration of numerous market segments.

Hotel developers, management companies and franchise systems can apply certain "rule of thumb" standards. At Laventhol & Horwath, we've developed these standards by conducting hundreds of interviews during our market studies for lodging developments. This includes interviews with representatives of all types of lodging developments in different size cities in varying types of locations.

Although these standards represent both the range and mode (the most frequent result) for the different types of demand generators, a word or two of caution is necessary. There probably is no rule of thumb or standard that represents actual conditions in a particular situation—not for hotel demand or for any other application. The value of these guidelines lies in providing a convenient starting point for preliminary estimates of lodging demand from various types of demand generators.

How the standards can be used

It's possible to estimate the impact a new office building near the site of a hotel will have on lodging demand by using established standards. If the building's tenants will be corporations with a total of 500 employees, then according to the standard, this should provide an esti-

Lodging Demand Generated by Various Factors

Source of Demand

Commercial Activity	Annual Room Nights Per Full-Time Employee	
	Typical Range	Mode
Corporate Headquarters and Research	1 to 15	3.5
Professional Firms, Foundations	0.5 to 3	1
Manufacturing	0.1 to 3	0.5
Distribution, Wholesale, Retail	Negligible to 0.5	0.1
Colleges and Universities	**Annual Room Nights Per Student**	
	Typical Range	Mode
Major Institutions, Large City Location	0.1 to 2	0.5
Major Institutions, Not Located in the City	1 to 3	1.5
Small Private Institution	.5 to 1.5	1
Community College	Negligible to 1	0.5
Hospital Lodging	**Annual Room Nights Per Bed**	
	Typical Range	Mode
Local or Regional Hospital	0.1 to 1	0.5
University-Affiliated, Teaching and Research Hospital	1 to 5	2
Hospitals with Specialized Inpatient Wards	2 to 20	2
Highway Lodging	**Annual Room Nights Per Hundred AADTC***	
	Typical Range	Mode
Interstate Highway Between Large Cities	1 to 20	10
State Highway Between Large Cities	1 to 5	3
Convention and Civic Center	**Annual Room Nights Per Gross Square Foot In Complex**	
	Typical Range	Mode
	0.5 to 3	1
Convention and Civic Center	**Annual Room Nights Per Attendee**	
	Typical Range	Mode
	0.1 to 2	0.3
Theme Park Lodging Demand Generation	**Annual Room Nights Per Visitor**	
	Typical Range	Mode
	Negligible to 0.6	0.2
Local Population	**Annual Room Nights Per Thousand Residents**	
	Typical Range	Mode
Suburban, Upper Income Area	20 to 50	25
Suburban, Middle Income Area	5 to 30	10
Center City, Upper Income Area	25 to 50	30
Low Income Areas	Negligible	

*Average annual daily traffic count.

This was reprinted from *U.S. Lodging Industry 1986*.

mated 3,500 annual room nights of lodging demand (500 employees multiplied by seven room nights per employee). If information on the number of employees is not available, another standard is that there will be one employee for every 200 to 225 square feet. So a 100,000- to 110,000-square-foot office building might generate 3,500 room nights of lodging demand.

Another example might apply to a community that has a hospital, some office space and a wealthy residential community, but no hotel or lodging facilities. How can the support for a hotel be estimated quickly? If the standards are applied to the number of beds in the hospital, the number of employees in the office buildings and the number of residents, the amount of demand can be estimated by adding together the demand from each generator.

One example of incorrect use of this standard of room nights per square foot would be to estimate demand from increased office construction in a major city with a low vacancy in prime commercial space. As additional prime office space is developed, it will not be occupied by new users or through expansion of existing business activity. Instead, existing activities will occupy an increased amount of space.

The accompanying chart provides more specific guidelines for estimating the demand various factors will generate. If used carefully and logically these standards should be extremely helpful as a starting point for initial estimates of the potential support for lodging in a market area. The following are a few definitions of the terms used in the charts:

1. Room night. The measure of lodging demand, one room occupied for one night equals one room night.

2. Commercial demand. Demand resulting from commercial ventures in a market area including visits from affiliated locations, inspections, temporary housing for employees being relocated and traveling vendors servicing local business.

3. Average annual daily traffic count. The measure of vehicular traffic used by traffic engineers to provide a measure of traffic on a "standard" day.

4. Square feet in office buildings and convention or civic centers. These are based on gross square feet in the complexes.

The total estimate of lodging demand also will include latent demand, which occurs when the need for hotels exists although potential users are finding ways to forego use of hotels. In such cases, travelers may be staying at facilities outside the primary market area.

THE SCIENCE OF OPERATION IS YIELDING TO THE ART OF MARKETING

by Robert Eaton
Manager, MAS Financial
Advisory Services
Laventhol & Horwath, San Francisco

There has been a significant yet subtle change in the lodging industry over the past 20 years. Marketing has taken over the management of the U.S. hotel industry. Not unlike the U.S. economy shifting from an industrial to a service mode, this marketing orientation has been happening gradually. Questions discussed by hotel managers today deal with the market and its dynamics, not with ways to cut dining room food costs. The marketing terminology we use today is "niching or positioning," which simply means observing the marketplace for an opportunity to fill a void. This orientation is working from the standpoint that the industry is more diverse, exciting, romantic and unpredictable than it ever has been.

To demonstrate, below are three want ads illustrating how the qualifications required for hotel general managers have changed during the last 20 years.

1965 GENERAL MANAGER

Fast-Growing Hotel Chain Looking For General Managers! Positions Available at Downtown and Resort Properties

Men applying must have:

- minimum 5 years in hotel operations with rooms-division orientation
- complete knowledge of hotel accounting and auditing techniques
- profit-orientation with strong skills in cost controls

Men applying should have:

- college degree
- some food and beverage training
- public speaking skills

Special attributes that will be considered:

- a CPA license
- playing a musical instrument
- sales-training courses

In 1965, the hotel industry was at its full operational mode. An individual succeeded in the hotel industry by doing one thing well: "running the hotel." Usually general managers came from the front desk/office and rarely from the food and beverage side of the house. Food and beverage management job advertisements were in the chef's office on clipboards. There were no hotel personnel solely dedicated to the tasks of marketing, nor were general managers required to implement their marketing skills.

The hotel was presented to its potential customers in an almost passive way through minimal advertising and by hosting local social and business events. The only personal interaction between the potential guest and the hotel was with a catering manager. Even though each catering manager tried to distinguish his "breast of capon du jour," the potential customer of a commercial hotel in 1965 did not have many choices.

Although resorts existed, these properties were managed the same way as the downtown properties—from an operational viewpoint.

By 1975, the industry had come a long way. As with other aspects of American life, traditions and values were either vanishing or being redirected. The preceding 10 years or so had been an explosive growth period.

Real lodging demand grew across most market segments. Automation and computers were commonplace in American business but largely missing from lodging operations. The hotels built in this era had open atriums, female general managers and, for the first time, directors of sales and marketing. It was about this time that market segmentation clearly emerged. A classified advertisement for a general manager read something like this:

Reprinted from *U.S. Lodging Industry 1986*.

1975 GENERAL MANAGER

Aggressive Growth-Oriented Hotel Company Looking for General Managers

Women or men applying must have:

- minimum three years in the hotel industry (some operations experience useful)
- complete knowledge of the sales function
- profit orientation with good selling and public relations skills

Women or men applying should have:

- BA in Business or Hotel Administration
- some food and beverage training
- some experience in advertising.

Special individual attributes that will be considered:

- marketing degree
- EST training
- reasonably short hair

This segmentation could be seen by the emergence of variations in the type of transient lodging available. Luxury properties were available in New York and San Francisco with rates in excess of $100. Executive conference centers were operating in the East, and all-suite hotels had emerged in the Southwest. In just a few short years, the previously unfamiliar area of marketing had become the most appropriate method of evaluating and examining lodging performance. By 1985, the typical ad for a general manager had changed further:

1985 GENERAL MANAGER REQUIRED

Assertive Market-Oriented Hospitality Company Looking for Entrepreneurial Managers

Persons applying must have:

- a minimum of five years in the lodging industry with three years direct involvement in marketing
- complete knowledge of demographic foot-printing techniques
- profit orientation with a yearning for statistics and econometrics

Persons applying should have:

- an MBA and specialization in travel economics or consumer research
- some food and beverage training
- some marketing experience

Special attributes that would be considered beneficial:

- Nonsmoker interested in computer science
- a real estate license
- own a BMW or have run a marathon

The industry has changed in many ways over the last 20 years. These changes are being instituted by a new marketing orientation that has made its way to top management. The essence of this new approach is the segmenting of demand and tailoring each property to maximizing its potential. And it works! The owners, developers and operators of all-suite hotels, resorts, commercial hotels, executive conference centers and other lodging facilities can be potentially successful by tailoring their offerings to the specific needs of a portion of the traveling public. Their ultimate success, however, is contingent upon their ability to provide true hospitality.

THE ALL-SUITE LODGING INDUSTRY: SIZE AND STRUCTURE

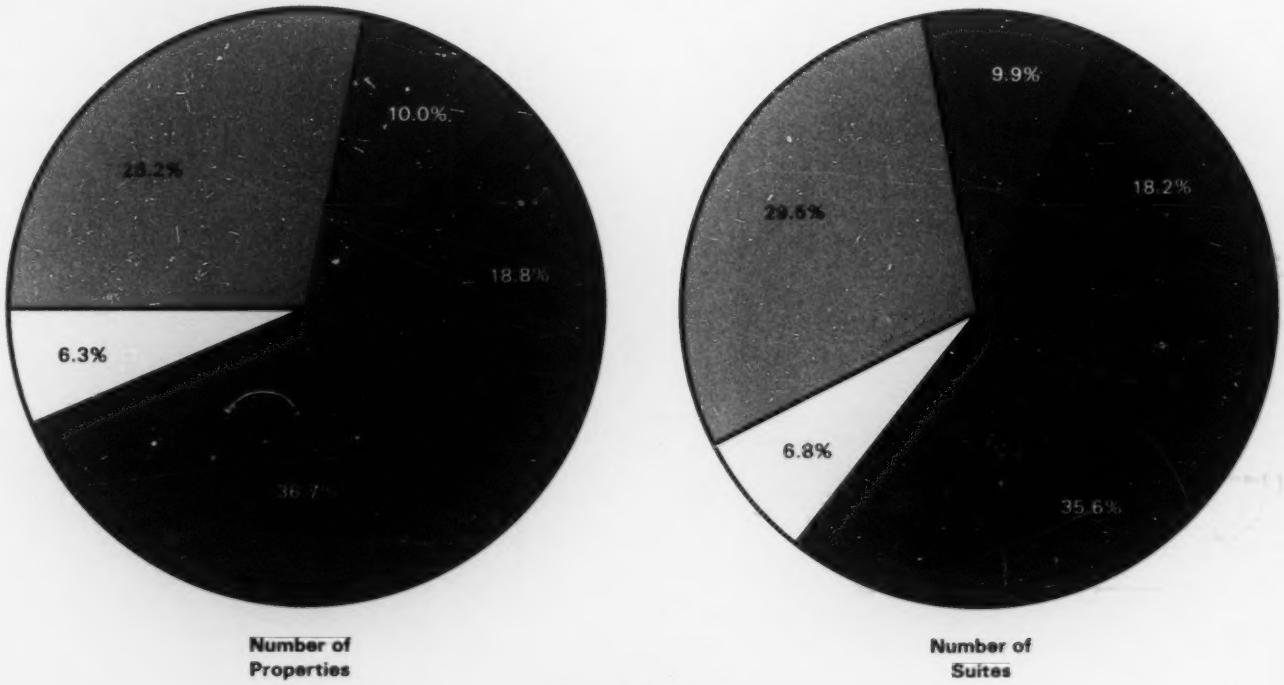
The all-suite segment of the U.S. lodging industry is the fastest growing segment. Keeping track of the chains and independent properties has become a challenging task. Changes in ownership—through mergers and acquisitions, changes in company names and the formation of new companies or new divisions of larger companies—has become a way of life for the all-suite industry. The all-suite segment is still in a developmental stage, and with new companies continually emerging, it should continue to be in this stage for a few years. With the decline in interest rates and the profit margins for all-suite properties well above those of traditional hotels, L&H expects this segment to comprise 5 percent of the total rooms in the U.S. lodging market within the next five years. As the charts on pages 2-5 show, this is not an unreasonable assumption.

Currently, L&H has identified approximately 550 all-suite properties in the United States. These properties, are part of L&H's Inventory of the Lodging Industry (ILI) data base, which contains information on more than 21,000 lodging operations (hotels, motor hotels, economy, and all-suites), representing over 2.4 million rooms. These properties are considered to represent 99 percent of the hotel supply with more than 25 rooms. In addition to information on the number of rooms, each hotel listing contains full address, chain affiliation, rack rates, location (center city, suburban, airport, highway and resort) and metropolitan statistical area (MSA). In many cases, properties also have the management company and general manager's name listed.

The Western part of the U.S. has the largest number of all-suite facilities. California and Hawaii contain almost one-quarter of the entire all-suite population, with 23.8 percent of the properties located in these two states. The other states that contain a large number of all-suite properties are Texas (in the South Central breakdown), with 11.7 percent, and Florida, (in the Southeast breakdown), with 15 percent.

The all-suite market continues to be dominated by midsized properties: More than 72 percent of all-suite hotels have between 75 and 300 rooms, compared with approximately 46 percent of hotels in the total U.S. market falling within this range. Popular locations for these properties are resort and center city areas: 33.3

Chart 1
U.S. All-Suite Lodging Industry
Distribution of Properties and Suites by Region



*Northeast: CT, DE, ME, MA, NH, NJ, NY, PA, RI, VT.
Southeast: D.C., FL, GA, MD, NC, SC, VA, WV.
North Central: IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI.
South Central: AL, AR, KY, LA, MS, OK, TN, TX.
West: AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY.

and 25 percent, respectively. This compares with the total hotel market, which has 15.8 percent located in resort areas, and only 15 percent in center city locations. Highway properties command the largest percentage by location for the hotel industry with 38.1 percent, compared with only 13 percent for the all-suite segment.

Other highlights of the all-suite segment taken from the ILI database include:

- Approximately 50 percent of all-suite hotels have average rack rates of at least $85.
- Independent operators represent almost 48 percent of the all-suite market.
- Of the chains operating in today's market, Embassy Suites and Residence Inns (both divisions of Holiday Corporation) comprise more than 28 percent of the all-suite properties.
- The two metropolitan statistical areas (MSAs) with the most all-suite properties are the Washington D.C.-Maryland-Virginia MSA with 24 hotels (3,571 suites) and the Los Angeles-Long Beach, California MSA with 23 properties (3,527 suites).
- By type of property, the average rack rate (the hotel's advertised rate) for the all-suite segment is $102, compared with $63 for hotels, $41 for motor hotels and $29 for economy properties.

For further information on the characteristics of the all-suite segment, or other information in the ILI database, contact the Research Division of Laventhol & Horwath, 1845 Walnut Street, Philadelphia, Pennsylvania, 19103, (215) 299-1600.

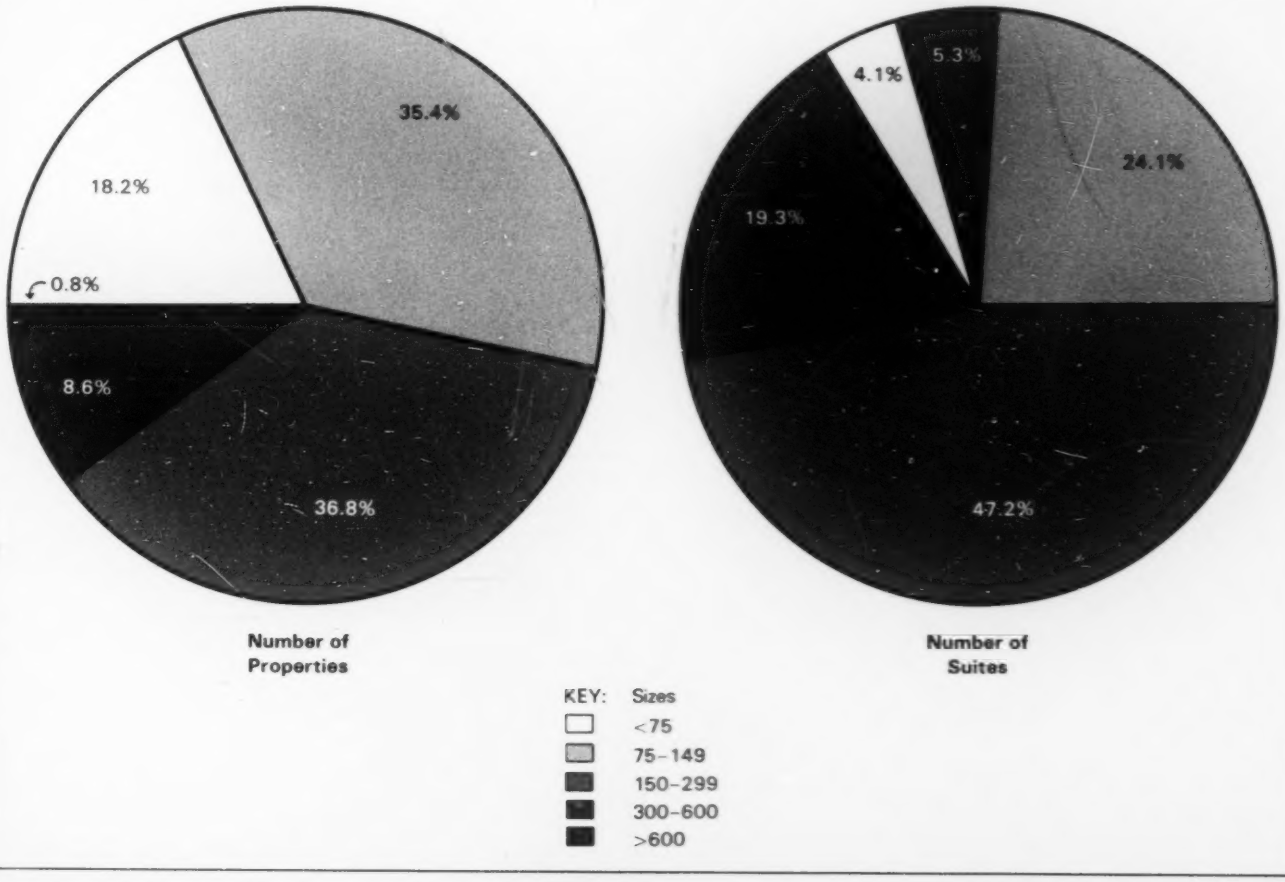
Exhibit 1
The All-Suite Lodging Industry: Size and Structure
Distribution of Properties by Number of Suites

Number of Suites	Industry	Report Sample
<75	18.2%	4.7%
75–149	35.5%	30.2%
150–299	36.9%	48.8%
300–600	8.6%	14.0%
>600	0.8%	2.3%

Exhibit 2
Distribution of All-Suite Properties by State

State	Industry	Report Sample
Arizona	5.5%	9.3%
California	15.0%	4.7%
Colorado	2.6%	—
District of Columbia	3.6%	9.3%
Florida	15.0%	7.0%
Georgia	3.0%	11.6%
Hawaii	8.8%	4.7%
Texas	11.7%	20.9%
Other States	34.8%	32.5%

Chart 2
U.S. All-Suite Lodging Industry Distribution of Properties and Suites by Size



Industry trends: occupancy and average rate

Exhibit 3 and Chart 3 present data taken from the monthly editions of *All-Suite Trend of Business in the Lodging Industry* and *National Trend of Business in the Lodging Industry*, both published by L&H.

For the first half of 1986, all-suite monthly occupancies surpassed the hotel industry as a whole, as well as each individual segment (hotel, motor hotel and economy). This trend has been consistent since we first started tracking the all-suite industry in January 1985. With the break-even point for hotels usually 62 percent to 64 percent, this segment has continually exceeded this mark.

The average daily rate received by all-suite hotels responding to our monthly *Trend* has exceeded the national average by at least $5. The national average is comprised of all segments of the lodging industry, just as the all-suite segment is comprised of low, middle and upscale properties. One reason why the all-suite rate exceeds the national average may be that customers perceive a higher price/value relationship with an all-suite: You get more room for your money, even if you have to pay a little extra for the suite.

Also included in the price is a continental or full-menu breakfast and generally a complimentary cocktail hour (or two). Other amenities may include a refrigerator, wet bar and, possibly, a microwave, dishwasher and other household appliances necessary to make the guest feel at home. Guests perceive these amenities as extras, which enhance the perceived all-suite value relative to standard hotels. While staying away from home, people are willing to pay a little extra for added conveniences.

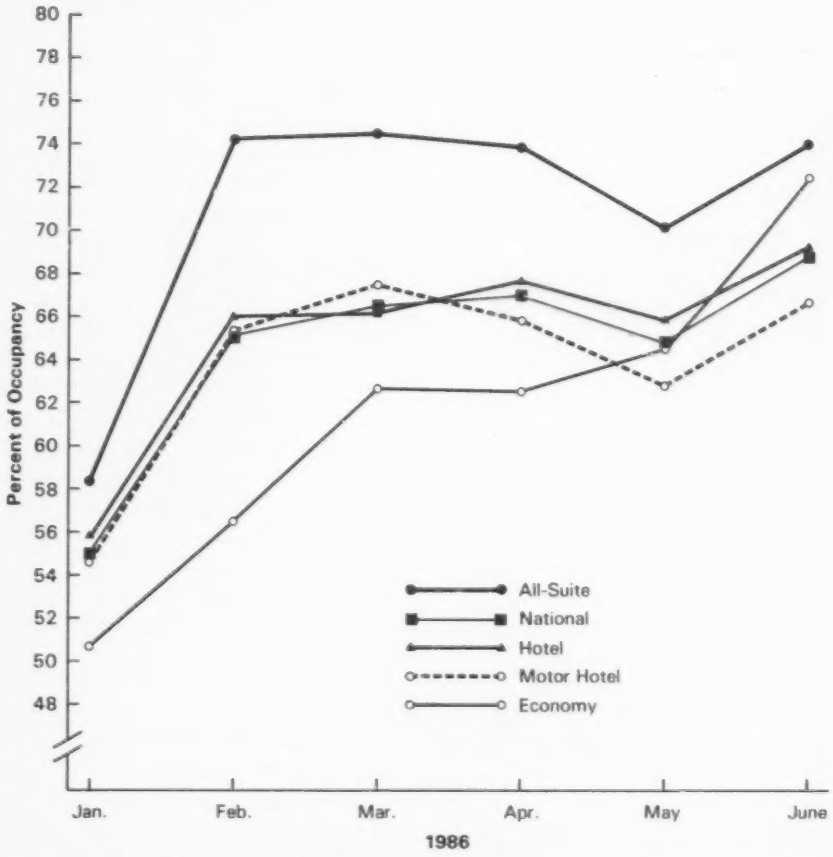
If you would like to be put on the mailing list for either the *National Trend of Business in the Lodging Industry* or the *All-Suite Trend of Business in the Lodging Industry*, contact the nearest L&H office or the Research Division in Philadelphia.

Exhibit 3
Average Daily Rate*
January–June 1986

	National	All-Suite	Hotel	Motor Hotel	Economy
Jan.	$60.19	$83.86	$70.12	$47.24	$29.53
Feb.	64.61	75.06	77.54	49.22	31.12
Mar.	63.49	87.11	74.62	50.21	31.49
Apr.	62.43	79.25	71.83	49.45	31.60
May	61.58	71.46	71.65	48.75	30.62
June	61.63	66.34	72.99	50.18	31.04

*As reported in *National Trend of Business in the Lodging Industry* and *All-Suite Trend of Business in the Lodging Industry*.

Chart 3
Percent of Occupancy By Type of Hotel
January–June 1986



*As reported in *National Trend of Business in the Lodging Industry* and *All-Suite Trend of Business in the Lodging Industry*. Figures are weighted averages.

THE U.S. ALL-SUITE LODGING INDUSTRY

By Elizabeth Ann Rifkin
Research Division
Philadelphia, Pennsylvania

Introduction

This is Laventhol & Horwath's second annual all-suite lodging operations report. The questionnaire was enhanced this year to keep up with this evolving industry. We included questions regarding guest services and property technology. Although the financial statements of properties that were not open for a full year in 1985 could not be included, their technology and guest services were considered in compiling the data presented.

This report contains information representing all-suite properties from 21 states and Washington D.C. Last year's report contained properties from only 13 states and Washington D.C. This year, the total combined revenue exceeds $251 million. Of this, the suites department revenue represents more than $171 million. With the continued growth of the all-suite industry, we expect revenues to continue to increase in future reports.

Several exhibits and charts furnish information for "Total U.S." These figures represent more than 600 properties (hotels, motor hotels, economy and all-suites) that responded to *U.S. Lodging Industry 1986*, a report on full-service hotels and motor hotels throughout the country. These comparisons should provide added insight to the differences between the all-suite market and the overall full-service lodging market.

Bases of statistics

The data presented in this report have been computed on the most common bases used to analyze operating results of lodging establishments: ratios to total sales, ratios to suite sales and annual amounts per suite. Readers not familiar with L&H's lodging studies are advised to read the "Bases and Significance of Lodging Statistics" section on page 58 of this report for an explanation of relevant terms.

This year, all ratios are presented as a percentage to total sales. In previous reports, food and beverage costs and expenses were given as ratios to their related sales; the same was true for suites, telephone and minor department costs and expenses. This year, however, *all* calculations were computed as ratios to total sales to be consistent with other reports and feasibility studies that L&H produces. This point is particularly important to remember when comparing last year's report to this one. The suites, food & beverage, telephone, and minor department ratios *are not comparable* with last year's since they have been calculated differently. However, the undistributed operating expenses: administrative and general, marketing, energy and property, operations and maintenance figures *are comparable* to last year. Also, any of the exhibits listing amounts per suite figures may be compared with last year's report.

Many of the exhibits in this study report medians, while some exhibits also show lower and upper quartiles. A median is the middle value of all responses to a specific line item that have been put in sequential order. Each line item has been analyzed separately, and the medians are based on the information submitted for that item only, since all establishments did not report data for each line item.

Medians are used to alleviate any bias inherent in the data. For example, if a property has a large operating loss for 1985, and means are used, this loss would pull down the average for the entire group. By using medians, properties with extremes in data do not have a greater effect on the data than other properties in the sample. For further information on medians and means, refer to the "Understanding Medians and Means" article on page 56.

Weighted averages have been used in Charts 4, 5 and 6. These figures are calculated using absolute values rather than the relative position of the results of the sample.

The figures in this report are intended to be used as guidelines, not as standards or goals. They are not an attempt by Laventhol & Horwath to set or conform prices or operating ratios for the industry.

Exhibit 4
General Profile of Typical Contributor
Based on Various Measures of Central Tendency

Criteria	Profile of Typical Contributor
Age	opened since 1980
Size	100–200 suites
Occupancy	70%–80%
Average Rate	$70.00–$85.00
Sales Volume	$2 million–$5 million
Affiliation	chain affiliated

Exhibit 5
Highlights

- Total revenue on a per suite basis was $22,405.
- Room occupancy for all-suite properties was 69.3 percent compared to 65.5 percent for total U.S.
- The average daily rate per occupied suite was $72.44 compared to $53.81 for total U.S.
- Income before fixed charges was 36.7 percent as a ratio to total sales. On a per suite basis the figure was $7,158.

Elizabeth Ann Rifkin has been with the Research Division of L&H for three years, where she has coordinated studies on the all-suite, conference center and restaurant industries.

Data collection

This is the first time we have included comments from sources other than Laventhol & Horwath. Articles from various chains appear in this study. Almost every all-suite chain, as well as some management companies, was contacted and asked to participate in our study. Every article submitted is included. The opinions expressed in these commentaries are solely those of the chain and do not necessarily reflect the opinion of Laventhol & Horwath.

The financial information was collected using three methods. Many responded to *U.S. Lodging Industry 1986*. Also, each individual property listed in our Inventory of the Lodging Industry (ILI) data base received a questionnaire. Many of the chain operations were also contacted and asked to complete several questionnaires on a representative sample of their properties. As a result, we received responses from a cross section of all-suite operations throughout the United States.

All-suite characteristics

This section is new to the study this year. It contains nonfinancial information about the respondents: their profile, market mix data, nationality of guests, credit card information, advanced reservation mix and technology information. The majority of this material is presented graphically.

Highlights of the charts are:

- All-suite properties reported that an average of 52.8 percent of their guests have stayed there before, and 80.6 percent made advanced reservations, suggesting that many people are familiar with the all-suite hotel concept. This is further enforced by the fact that the largest percentage of those with advanced reservations, 37.8 percent, called the hotel directly for reservations. Refer to Chart 6 for further details on the advanced reservations mix.

Even though the all-suite lodging industry shows a large volume of computerized systems use in two related areas: front office and back office (general ledger), the availability of microcomputers for guest use has not become significant. This should soon change due to the large percentage of guests that stay at all-suite hotels for business-related travel (69.9 percent said the nature of their stay was business, government or conference related). The availability and use of microcomputers during visits to all-suite properties may increase to mirror the popularity microcomputers have in the office and home. Refer to Charts 4 and 12 for further details on the market mix and property automation characteristics.

- Almost two-thirds of the respondents have at least one in-room entertainment system, while one-quarter have two or more systems. The system that is most available to guests is subscription cable with 55.8 percent, followed by satellite TV at 38.5 percent, then pay-per-view in-room movies with 13.7 percent. Spectradyne was the least available television service, available in only 9.8 percent of the responding properties.

Chart 9 presents availability of guest services. Free parking ranks as number one, with overnight dry cleaning and an outdoor pool ranking second and third, respectively. All-suite hotels offer many of the services businesspeople require: audio-visual equipment, airport transportation and a newsstand. Other amenities such as secretarial services and executive floors are also provided at some facilities.

Chart 4
All-Suite Market Mix

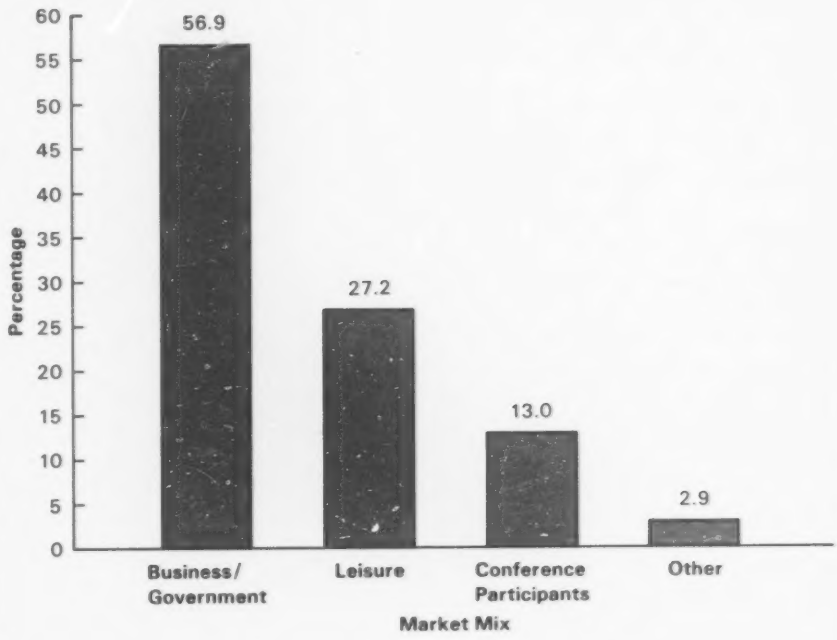
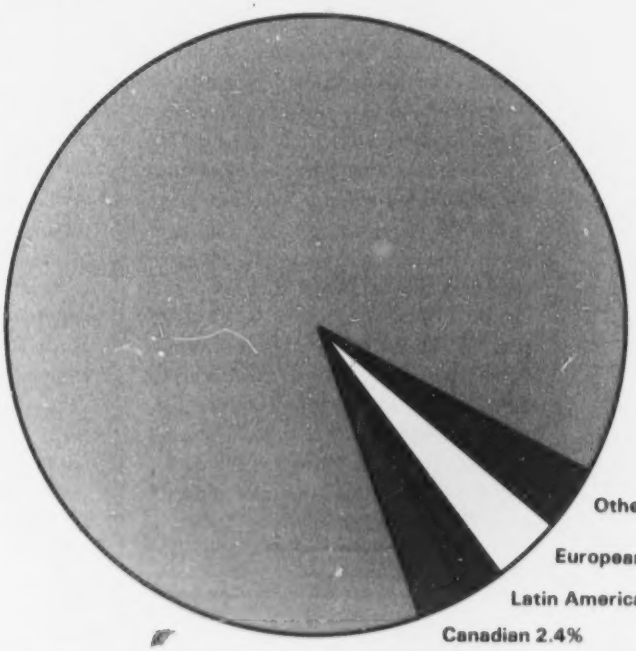


Chart 5
Nationality of Guest



Latin American & Caribbean: Mexico, Central America, South America, Caribbean.

European: Britain, France, Germany, Italy, Scandinavia, Other European.

Other: Japan, Other Asian, Australia, Middle East, North Africa, Other African.

Chart 6
Advanced Reservation Mix
All-Suite Lodging

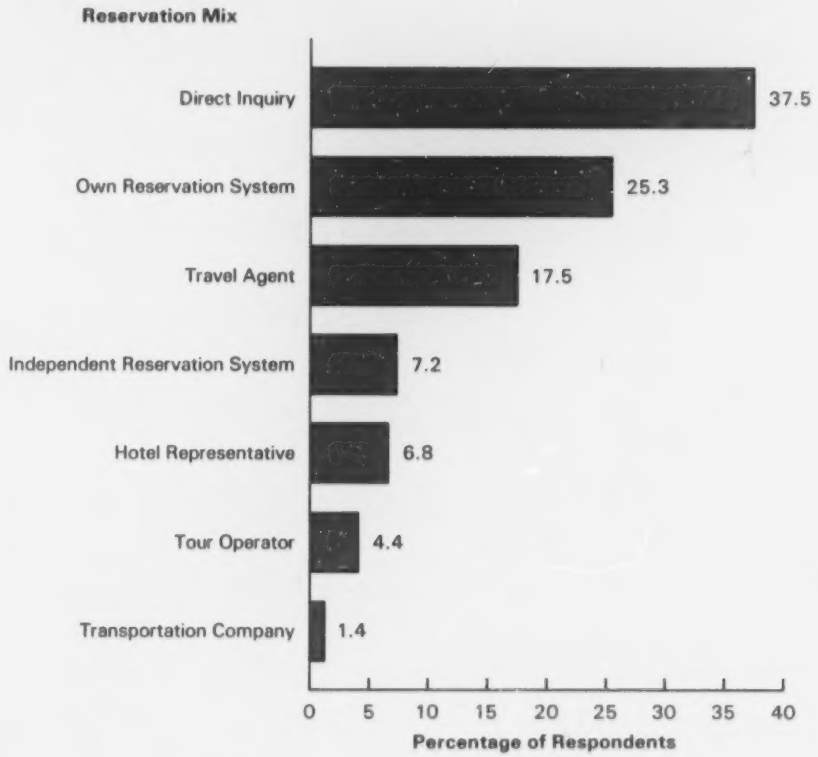


Chart 7
Sales Distribution

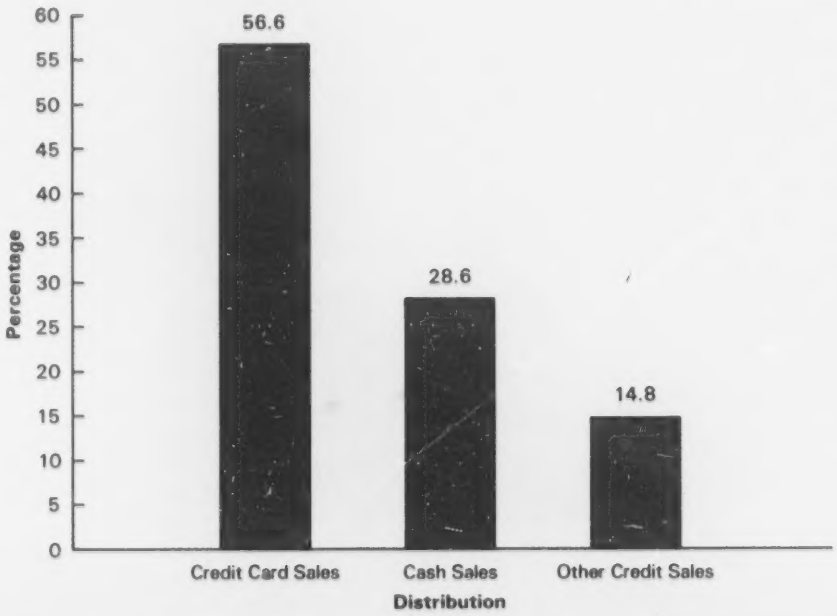


Chart 8
Percentage of Credit Cards Sales by Card Type
All-Suite Lodging

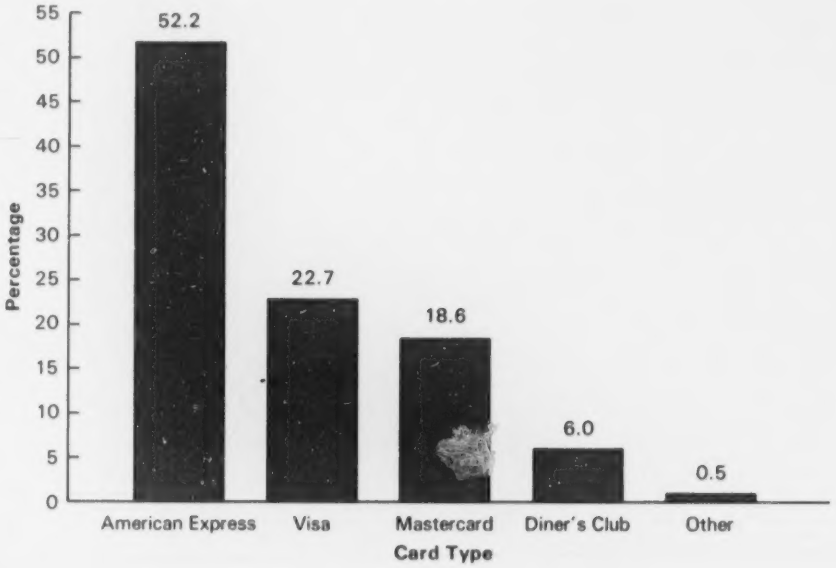


Chart 10
Technological Characteristics
In-Room Entertainment Systems

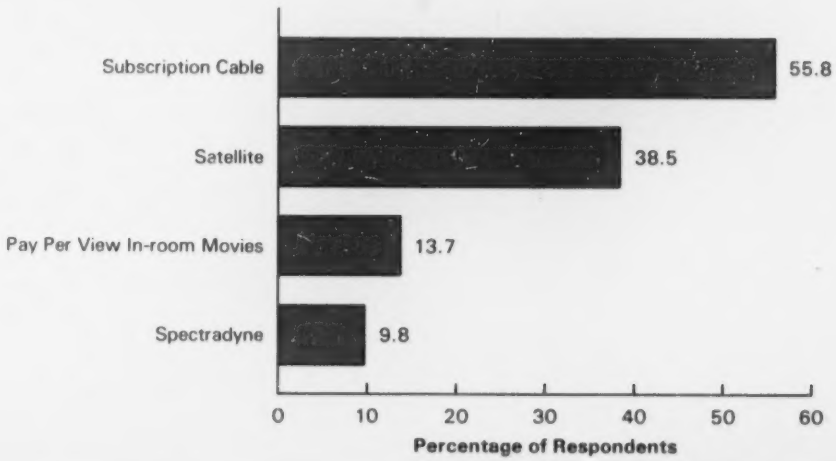


Chart 9
Guest Services

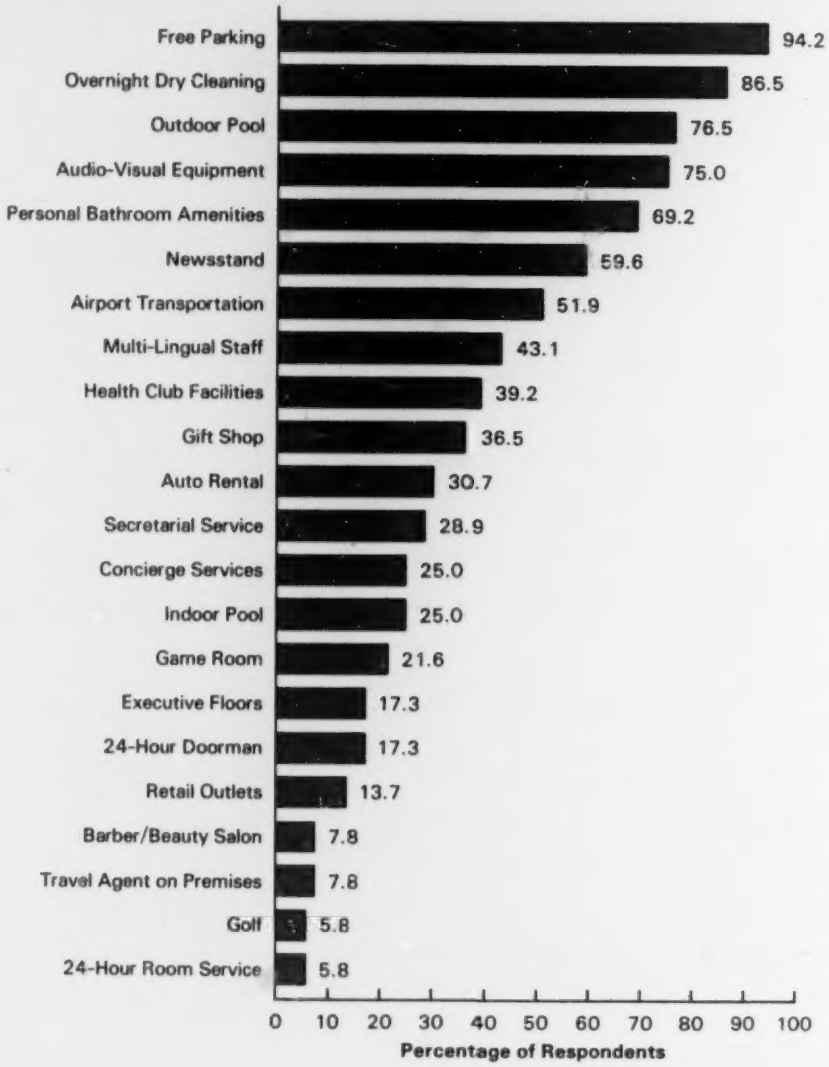


Chart 11
Technological Characteristics
Telephone Services

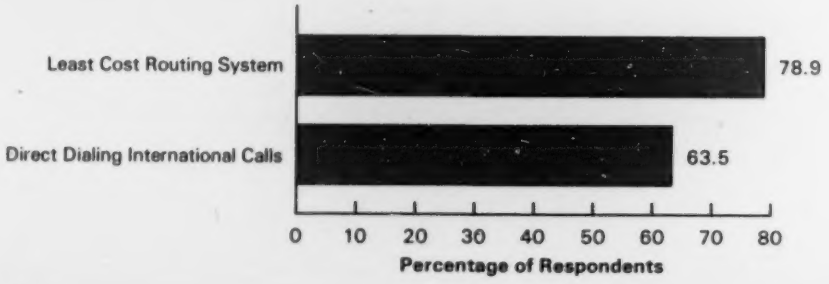
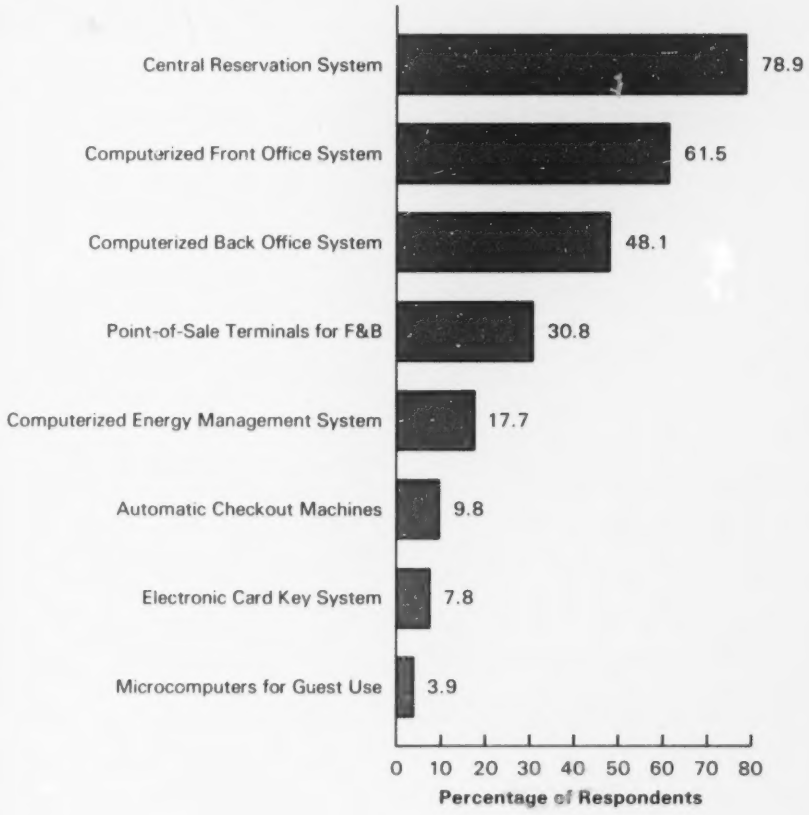


Chart 12
Technological Characteristics
Property Automation



All-suite financial information

The remainder of this study presents 1985 performance results for responding all-suite properties. Again this year, there are three charts on the industry dollar: one on the entire sample, and one each for properties with and without restaurants on premises. Income statements by ratio to total sales and as amounts per suite are also provided.

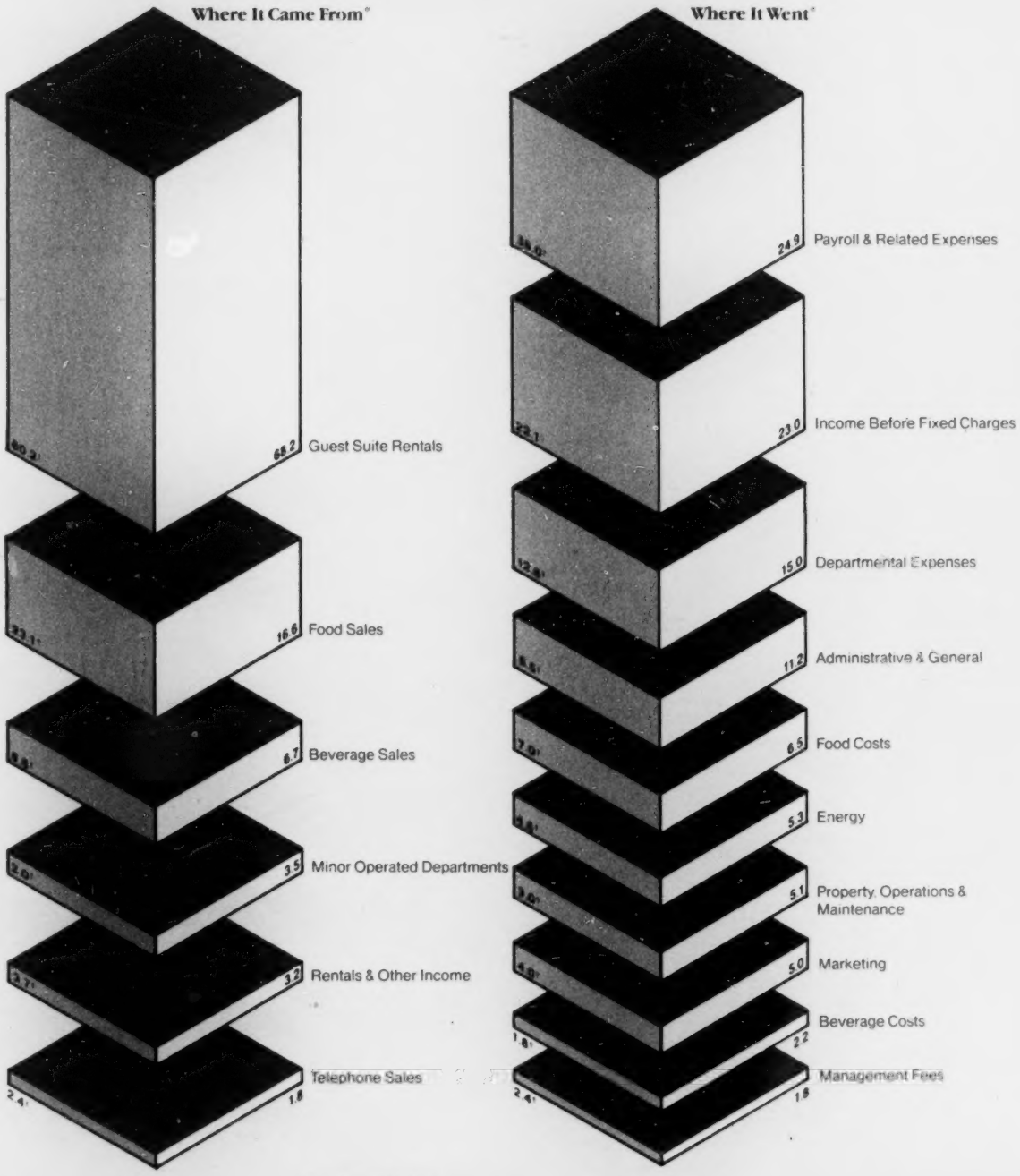
Due to the presentation of the ratio to total sales exhibits, readers are again cautioned when making comparisons with last year's report. As stated earlier, *all ratios are expressed as a percentage of total sales.* Previous reports gave departmental costs, such as the rooms department, as a ratio to its sales. The same holds true for the food and beverage, telephone and minor departments. This year, for consistency, we changed the reporting methods. So, comparisons to the *All-Suite Lodging Industry 1985* study or the *U.S. Lodging Industry 1985* study will be inaccurate for any of the above-mentioned departments.

This year, each exhibit is not discussed, since many are self explanatory. Instead, this study presents the highlights of specific exhibits.

The format of the income statements changed this year: Each type of information was grouped together, revenue, followed by departmental expenses, then departmental profit. This should make interpretation of the exhibits easier than last year's report. Any comments, questions or suggestions concerning any part of this report can be directed to the Research Department in Philadelphia.

Chart 13

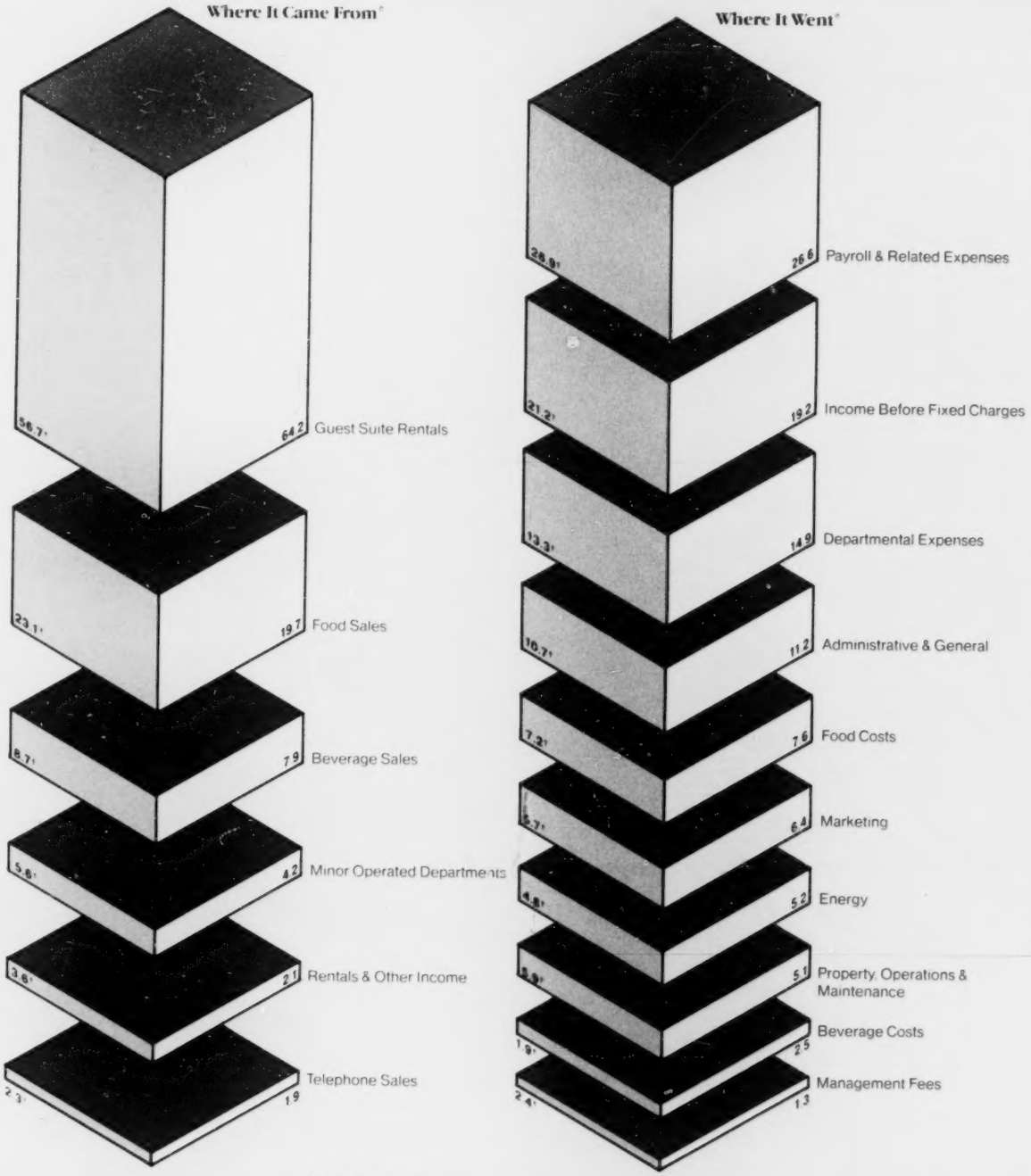
All-Suite Lodging Industry Dollar 1986
Comparison With Figures for Total United States



*Based on weighted mean
†Total U.S. figures taken from U.S. Lodging Industry 1986

Chart 14

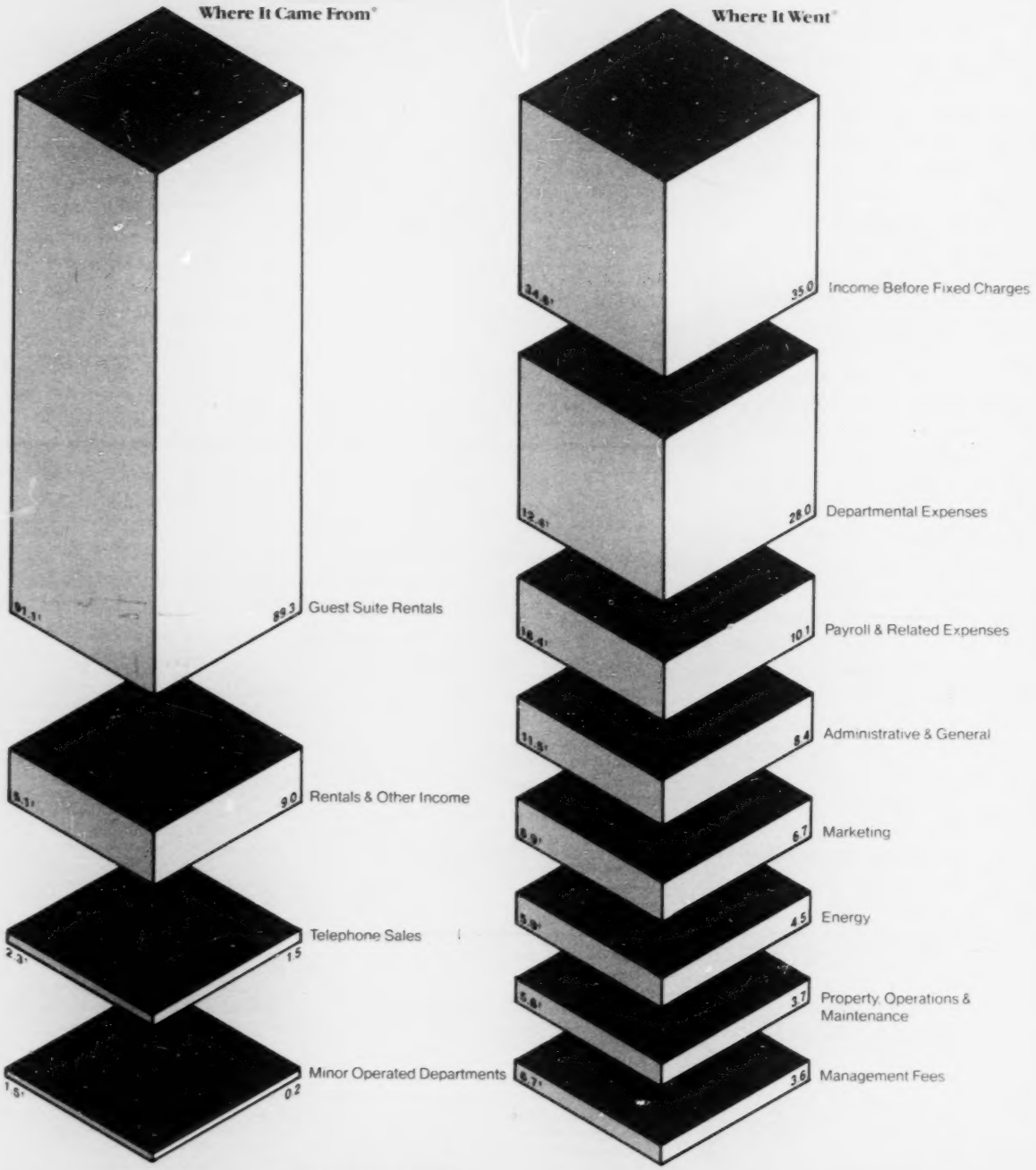
All-Suite Lodging Industry Dollar 1986
Comparison With Figures for Total United States Hotels With Restaurants



*Based on weighted mean
†Total U.S. figures taken from U.S. Lodging Industry 1986

Chart 15

All-Suite Lodging Industry Dollar 1986
Comparison With Figures for Total United States Hotels Without Restaurants



* Based on weighted mean
† Total U.S. figures taken from U.S. Lodging Industry 1986

Highlights

- The median occupancy for the all-suite respondents is 69.3 percent, and the median average suite rate is $72.44. Both these figures compare favorably with the total U.S. market, whose 1985 occupancy was 65.5 percent, with an average rate of $53.81.
- All-suite properties with restaurants reported a higher median occupancy and average rate than those without restaurants. Those with restaurants also reported a higher median income before fixed charges as an amount per suite than all-suite hotels without restaurants, $7,220 compared with $7,097. Further information detailing the income statements of these two types of all-suite properties can be found in Exhibits 10 and 11.
- The Central region has the lowest regional median occupancy of 65.8 percent, and also the lowest average rate of $60.61. Nonetheless, it has realized the highest median income before fixed charges as a ratio to total sales, 39.3 percent. Respondents to the *U.S. Lodging Industry 1986* from the North Central and South Central regions also show the lowest occupancies and average rates and, in addition, have the highest medians for income before fixed charges, as ratios to total sales. Exhibit 12 provides information on occupancy and average rates by selected breakdowns. Exhibits 23 through 26 are income statements detailing the revenues and expenses of each breakdown by a percentage of total sales and also as amounts per available suite.
- When comparing operations that experienced a net profit to those with a net loss, the profitable all-suite hotels have higher occupancies, 72.5 percent compared with 67.8 percent, while the unprofitable properties have higher median average rates: $70.36 compared with $59.78. More information on net profit versus net loss operations can be found in Exhibit 14.

Exhibit 6
1986 Profile of All-Suite Contributors

Affiliation		Occupancy	
Chain Affiliated	73.8%	Less than 70%	52.4%
Independent	21.4	70% and Over	47.6
Not Reported	4.8		
Age		Region[1]	
Built Pre-1980	23.8%	East	42.9%
1980-1983	28.6	Central	33.3
Post 1983	38.1	West	23.8
Not Reported	9.5		
Average Rate		Size	
Under $60.00	33.3%	200 Suites or Less	52.4%
$60.00-$80.00	35.7	Over 200 Suites	47.6
Over $80.00	31.0		
Location[2]		Total Sales	
Center City	26.2%	Under $5 Million	61.9%
Suburban	42.9	$5 Million and Over	38.1
All Others	28.6		
Not Reported	2.3		
Profit/Loss			
Net Profit	21.4%		
Net Loss	33.3		
Not Reported	45.3		

[1]East—DC, FL, GA, IN, NC, OH, VA.
Central—AL, IL, LA, MO, TX, WI.
West—CA, HI, NV, UT.
[2]Other locations include highway, resort and airport properties.

Exhibit 7
Market Data*

			Region[1]		
	All-Suite	Total U.S.†	East	Central	West
Source of Business					
Foreign	9.6%	7.8%	12.8%	8.8%	7.1%
Domestic	90.4	92.2	87.2	91.2	92.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	52.8%	41.4%	55.3%	57.7%	41.9%
Composition of Market					
Leisure	27.2%	29.6%	23.6%	17.9%	46.5%
Business/Government	56.9	44.1	59.9	66.2	38.4
Conference Participants	13.0	18.5	13.2	12.2	13.7
Other	2.9	7.8	3.3	3.7	1.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Guests with Advanced Reservations	80.6%	63.8%	87.9%	69.8%	86.9%
Advanced Reservation Mix					
Direct Inquiry	37.8%	40.7%	35.9%	40.4%	35.3%
Reservation Systems	32.0	28.0	36.8	29.7	29.1
Travel Agent & Tour Operators	21.7	18.7	16.0	19.7	34.6
Hotel Representative	7.1	10.8	10.9	7.4	0.9
Transportation Company	1.4	1.8	0.4	2.8	0.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

*All amounts are means.
[1]Region breakdowns can be found at Exhibit 6.
†Total U.S. figures taken from *U.S. Lodging Industry 1986*.

- The all-suite market experienced net suite revenue per suite of $18,098, while the total U.S. market showed revenue per room of only $12,671. As a percentage of total sales, net suites departmental income for all-suites is 64.9 percent, while for hotels in the total U.S. sample, this figure is only 46.6 percent. The remainder of the suites department figures can be found in Exhibit 16.

- Again this year, the telephone department of all-suite properties reported a slight profit per suite, as opposed to the net loss usually incurred in traditional full-service hotels. This is a result of one main factor: Since the all-suite concept is such a recent development, the majority of the properties have been built in the last decade, enabling them to take advantage of the newest advances in telephone technology, such as sophisticated switching equipment and least cost call routing. For example, 78.9 percent of the all-suites responding this year reported having a least cost routing system (Refer to Chart 11). Other information concerning the telephone, minor operated departments and rentals and other income are detailed in Exhibit 17.

- The marketing dollar is presented in Exhibit 20. The largest percentage of cost in this department is payroll and related expenses: 26.9 percent of the total marketing expense. The other two large expenditures are print advertising (16.9 percent), which includes newspaper, magazine and directory advertising, and franchise fees (13.8 percent), which are fees charged by the franchise company, including, royalty fees and those charged for national advertising.

- Total advertising expense (print, radio and TV, outdoor and other) differ only 0.1 percentage points between all-suites and the total U.S. sample—32.5 percent for all-suites and 32.6 percent for the total U.S. The advertising expense mix, however, differs by as much as 4 percent: Print advertising accounts for 16.9 percent of advertising for all-suite hotels, and only 12.9 percent for the total U.S. sample.

- Even though only 17.7 percent of this year's survey participants report having a computerized energy management system (Chart 12), their median total energy expense, as an amount per suite, still falls below that of the total U.S. sample, $1,082 compared with $1,143.

- When comparing all-suite properties with traditional hotels, one of the major financial differences is that all-suite properties experience much higher income before fixed charges than the traditional hotel. This year's respondents show a median income before fixed charges as a percentage of total sales of 36.7 percent, compared with only 22.2 percent for the total U.S. sample. On a per suite (room) basis, the all-suite hotels have median income before fixed charges of $7,158, compared with $4,857 for the total U.S. Refer to Exhibit 23 for further comparisons of the all-suite market to the U.S. market.

Conclusion

In 1985 the all-suite industry continued its rapid growth, and we expect this trend to continue for the next few years, in line with the construction chart shown in the beginning of this study. Many chains that did not plan for expansion are entering the all-suite market. The chains currently operating all-suite hotels are looking for ways to increase their share of the market, either through new construction or the purchase of smaller chains or independent properties. As stated earlier, this segment is still basically in its infancy, and it will be quite a few years until it matures and slows its pace with regards to expansion.

Laventhol & Horwath would like to thank all those who took the time to fill out our questionnaire, and we would especially like to thank the officers of lodging chains who wrote articles this year. We believe these are an important contribution to this year's study.

Exhibit 8
Distribution of Sales*

			Size of Property		Total Sales	
	All-Suite	Total U.S.†	200 Suites or Less	Over 200 Suites	Less than $5 Million	$5 Million and Over
Sales Distribution						
Cash Sales	28.6%	31.9%	30.4%	24.5%	30.0%	24.6%
Credit Card Sales	56.6	51.5	55.5	59.0	56.1	58.0
All Other Credit Sales	14.8	16.6	14.1	16.5	13.9	17.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Cash Sales from Travel Agents & Tour Operators	12.7%	14.0%	11.9%	14.2%	13.9%	8.2%
Percentage of Credit Card Sales by Card						
American Express	52.2%	47.9%	52.4%	51.8%	49.8%	59.9%
Visa	22.7	26.7	22.2	23.7	23.9	19.0
Master Card	18.6	17.3	19.3	17.3	20.0	14.2
Diners' Club	6.0	6.0	5.6	6.7	5.7	6.8
Other	0.5	2.1	0.5	0.5	0.6	0.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*All amounts are means.
†Total U.S. figures taken from *U.S. Lodging Industry 1986*.

Exhibit 9

Statement of Income and Expenses—All Respondents
Amounts per Available Suite and Ratio to Total Sales

	Amount Per Suite			Ratio To Total Sales		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Average Annual Occupancy	61.0%	69.3%	75.2%			
Average Annual Suite Rate	$ 56.86	$ 72.44	$ 83.26			
Revenues						
Suites	$13,587	$18,098	$24,130	70.6%	86.7%	95.2%
Food	1,038	3,664	6,564	5.4	13.0	19.5
Beverage	251	1,300	3,147	1.9	5.8	7.8
Other Food and Beverage	95	180	396	0.5	0.9	1.5
Telephone	429	668	881	1.6	2.9	3.4
Minor-Operated	104	389	1,073	0.7	1.5	2.9
Rentals and Other Income	100	250	525	0.4	1.2	2.2
Total	$14,729	$22,405	$30,548	100.0%	100.0%	100.0%
Department Expenses						
Suites	$ 2,682	$ 4,379	$ 6,241	14.9%	19.1%	22.5%
Food and Beverage	907	3,147	7,241	5.4	11.1	20.9
Telephone	404	594	731	1.7	2.3	2.7
Minor-Operated	176	420	1,013	0.7	1.5	2.8
Total	$ 3,082	$ 7,324	$11,857	22.0	34.5	40.0
Department Profit						
Suites	$10,650	$13,825	$18,461	49.4%	64.9%	75.6%
Food and Beverage	(834)	(9)	446	(4.4)	(1.4)	2.6
Telephone	(136)	54	198	(0.5)	0.2	1.0
Minor-Operated	(95)	103	531	(0.4)	0.6	1.1
Rentals and Other Income	100	249	525	0.4	1.2	2.2
Total	$10,611	$13,747	$20,229	51.6%	64.3%	79.0%
Undistributed Operating Expenses						
Administrative and General						
Payroll and Related	$ 527	$ 846	$ 1,663	2.9%	3.7%	5.2%
Other	797	1,171	1,940	4.3	5.7	7.3
Total	$ 1,304	$ 2,095	$ 3,224	7.9%	9.6%	11.1%
Marketing						
Payroll and Related	$ 308	$ 398	$ 644	1.5%	1.8%	2.5%
Other	750	1,121	1,757	4.0	4.9	7.1
Total	$ 963	$ 1,761	$ 2,485	5.5%	7.0%	9.1%
Energy Costs	$ 911	$ 1,082	$ 1,492	3.9%	4.7%	6.5%
Property Operations and Maintenance						
Payroll and Related	$ 276	$ 420	$ 845	1.3%	1.8%	2.9%
Other	331	468	710	1.7	2.1	2.8
Total	$ 645	$ 1,014	$ 1,308	3.1%	4.1%	5.3%
Total Undistributed Operating Expenses	$ 3,735	$ 5,520	$ 8,029	21.1%	25.6%	30.7%
Income Before Management Fees	$ 4,634	$ 7,886	$12,126	25.1%	38.5%	47.1%
Management Fees (Base and Incentive)	$ 556	$ 791	$ 1,049	3.0%	3.8%	5.8%
Income Before Fixed Charges	$ 3,161	$ 7,158	$10,038	20.1%	36.7%	41.3%

Exhibit 10

Statement of Income and Expenses—Hotels with Restaurants
Amounts per Available Suite and Ratio to Total Sales

	Amount Per Suite			Ratio to Total Sales		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Average Annual Occupancy	61.0%	69.7%	75.1%			
Average Annual Suite Rate	$ 63.10	$ 75.03	$ 86.32			
Revenues						
Suites	$15,074	$18,696	$24,909	69.1%	78.7%	87.9%
Food	1,038	3,664	6,564	5.4	13.0	19.5
Beverage	251	1,300	3,147	1.9	5.8	7.8
Other Food and Beverage	90	284	396	0.5	0.8	1.5
Telephone	588	740	1,000	2.3	3.0	3.5
Minor-Operated	234	740	1,223	1.0	1.9	3.3
Rentals and Other Income	79	178	553	0.3	0.9	1.4
Total	$19,025	$23,340	$35,559	100.0%	100.0%	100.0%
Department Expenses						
Suites	$ 3,090	$ 4,503	$ 6,537	14.9%	18.5%	22.2%
Food and Beverage	1,404	3,468	7,241	8.3	13.2	20.9
Telephone	514	629	810	2.0	2.7	3.1
Minor-Operated	273	420	674	0.7	1.4	2.5
Total	$ 5,644	$10,548	$14,702	29.6%	37.7%	41.8%
Department Profit						
Suites	$10,878	$14,482	$19,493	47.5%	55.2%	67.7%
Food and Beverage	(1,046)	(367)	1,042	(5.9)	(2.3)	4.0
Telephone	(71)	12	187	(0.3)	N	0.8
Minor-Operated	19	225	592	0.1	0.9	1.5
Rentals and Other Income	79	178	553	0.3	0.9	1.4
Total	$10,754	$13,747	$20,229	48.8%	57.1%	67.1%
Undistributed Operating Expenses						
Administrative and General						
Payroll and Related	$ 621	$ 1,149	$ 1,778	3.1%	4.0%	5.6%
Other	872	1,332	2,019	4.3	5.1	6.9
Total	$ 1,590	$ 2,383	$ 3,474	7.9%	9.6%	11.0%
Marketing						
Payroll and Related	$ 290	$ 481	$ 799	1.4%	1.8%	2.4%
Other	680	1,266	1,844	3.8	4.9	6.4
Total	$ 1,043	$ 1,964	$ 2,570	5.9%	7.0%	8.7%
Energy Costs	$ 1,050	$ 1,186	$ 1,618	3.9%	4.5%	5.9%
Property Operations and Maintenance						
Payroll and Related	$ 355	$ 713	$ 895	1.3%	2.0%	2.9%
Other	369	527	771	1.6	1.9	2.8
Total	$ 791	$ 1,125	$ 1,658	2.9%	4.1%	5.6%
Total Undistributed Operating Expenses	$ 3,855	$ 6,627	$ 8,901	22.1%	24.9%	29.9%
Income Before Management Fees	$ 3,900	$ 7,592	$11,849	22.7%	32.7%	40.3%
Management Fees (Base and Incentive)	$ 556	$ 791	$ 1,306	2.3%	3.5%	5.9%
Income Before Fixed Charges	$ 2,931	$ 7,220	$10,085	19.3%	30.4%	39.3%

N—Negligible.

Exhibit 11

Statement of Income and Expenses—Hotels Without Restaurants
Amounts per Available Suite and Ratio to Total Sales

	Amount Per Suite			Ratio to Total Sales		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Average Annual Occupancy	60.1%	69.1%	80.5%			
Average Annual Suite Rate	$ 56.27	$ 60.61	$ 78.97			
Revenues						
Suites	$11,860	$14,450	$21,229	93.2%	95.8%	97.9%
Food	0	0	0	0	0	0
Beverage	0	0	0	0	0	0
Other Food and Beverage	96	129	389	0.4	1.0	2.1
Telephone	86	426	656	0.6	2.0	3.3
Minor-Operated	**	**	**	**	**	**
Rentals and Other Income	186	327	525	1.3	1.7	3.6
Total	$12,542	$17,603	$24,585	100.0%	100.0%	100.0%
Department Expenses						
Suites	$ 2,287	$ 2,947	$ 4,654	14.1%	20.6%	23.1%
Food and Beverage	**	**	**	**	**	**
Telephone	340	367	408	1.6	1.7	2.7
Minor-Operated	**	**	**	**	**	**
Total	$ 2,494	$ 3,092	$ 4,681	18.3%	21.0%	32.9%
Department Profit						
Suites	$ 9,805	$13,150	$16,281	68.2%	75.5%	85.1%
Food and Beverage	N	98	137	0.3	0.9	1.8
Telephone	(329)	148	262	(1.1)	1.0	1.4
Minor-Operated	**	**	**	(10.1)	0.2	0.6
Rentals and Other Income	186	327	525	1.3	1.7	3.6
Total	$ 9,584	$13,377	$20,761	67.1%	79.4%	90.3%
Undistributed Operating Expenses						
Administrative and General						
Payroll and Related	$ 495	$ 556	$ 762	2.7%	3.3%	5.0%
Other	712	1,097	1,441	3.7	6.6	8.5
Total	$ 1,181	$ 1,643	$ 2,143	6.3%	9.2%	13.3%
Marketing						
Payroll and Related	$ 308	$ 344	$ 395	1.5%	2.3%	3.2%
Other	839	939	1,170	4.1	6.1	8.6
Total	$ 865	$ 1,272	$ 1,536	3.4%	7.6%	10.8%
Energy Costs	$ 876	$ 974	$ 1,050	4.4%	5.1%	7.0%
Property Operations and Maintenance						
Payroll and Related	$ 221	$ 291	$ 414	1.2%	1.6%	3.1%
Other	226	388	714	1.5	2.3	3.7
Total	$ 536	$ 650	$ 995	3.1%	4.1%	5.2%
Total Undistributed Operating Expenses	$ 3,642	$ 4,330	$ 5,405	18.1%	26.4%	32.3%
Income Before Management Fees	$ 5,542	$ 8,331	$15,787	41.9%	47.2%	64.4%
Management Fees (Base and Incentive)	$ 300	$ 794	$ 1,036	2.3%	4.8%	6.1%
Income Before Fixed Charges	$ 5,092	$ 7,097	$ 8,716	37.8%	41.6%	50.0%

** Insufficient response
N — Negligible

Exhibit 12
Occupancy and Average Rate
All-Suite Respondents*

	Percentage of Occupancy	Average Suite Rate
Median, All Establishments	69.3%	$72.44
Age		
Built Pre-1980	75.0%	$75.03
1980–1983	70.9	70.09
Post 1983	61.4	72.11
Size		
Under 200 suites	69.1%	$63.50
200 suites and over	70.5	73.81
Rate		
Under $60.00	66.5%	$52.70
$60.00–$80.00	72.4	72.32
Over $80.00	69.3	87.04
Occupancy		
Under 70%	61.1%	$72.37
70% and over	75.2	72.48
Region[1]		
East	72.5%	$75.03
Central	65.8	60.61
West	70.7	74.68
Total Sales		
Under $5 million	72.5%	$64.59
$5 million and over	69.0	79.67
Location[2]		
Center City	61.2%	$72.19
Suburban	72.5	74.34
All Others	67.3	75.44

*All amounts are medians.
[1]Region breakdowns can be found at Exhibit 6.
[2]Other locations include highway, resort and airport properties.

Exhibit 13

Comparison of Sales and Profitability by Selected Criteria As an Amount Per Available Suite*

	Total Sales	Suite Sales	Income Before Fixed Charges	Net Profit (Loss) Before Income Tax
Median, All Establishments	$22,405	$18,098	$ 7,158	$(1,140)
Age				
Built Pre-1980	$24,404	$20,270	$ 9,196	$ 1,358
1980-1983	21,608	17,569	7,909	(2,301)
Post 1983	19,380	16,072	6,267	(2,907)
Size				
Under 200	$19,979	$16,567	$ 6,759	$ 794
200 and over	23,106	18,952	7,521	(4,402)
Rate				
Under $60.00	$13,027	$12,028	$ 5,092	$ 76
$60.00-$80.00	22,290	18,796	7,719	(3,221)
Over $80.00	32,218	24,977	11,248	(7,793)
Occupancy				
Under 70%	$22,130	$15,543	$ 4,775	$(3,996)
70% and over	23,106	20,270	8,577	118
Region[1]				
East	$24,421	$20,270	$ 7,719	$(3,221)
Central	16,384	14,047	7,097	392
West	23,874	18,225	6,904	(2,471)
Total Sales				
Less than $5 million	$17,630	$15,611	$ 6,113	$ 551
$5 million and over	33,007	20,155	9,894	(3,996)
Location[2]				
Center City	$22,519	$15,886	$ 5,092	$(1,069)
Suburban	22,246	18,098	6,820	(607)
All Others	23,874	19,131	7,408	(2,568)
Profit/Loss				
Net Profit	$15,862	$13,540	$ 7,097	$ 4,479
Net Loss	25,203	17,241	5,602	(4,402)

*All amounts are medians.
[1]Region breakdowns can be found at Exhibit 6.
[2]Other locations include highway, resort, and airport properties.

Exhibit 14

Statement of Income and Expenses
Net Income Differential*
Amount per Available Suite

	Amount Per Suite		Ratio to Total Sales	
	Net Profit	Net Loss	Net Profit	Net Loss
Average Annual Occupancy	72.5%	67.8%	72.5%	67.8%
Average Annual Suite Rate	$ 59.78	$ 70.36	$59.78	$70.36
Revenues				
Suites	$13,540	$17,241	95.4%	71.1%
Food	**	5,900	**	16.7
Beverage	**	3,033	**	7.3
Other Food & Beverage	148	285	0.8	1.1
Telephone	456	647	2.9	2.1
Minor-Operated	**	1,259	**	1.4
Rentals & Other Income	244	248	1.4	0.8
Total	$15,862	$25,203	100.0%	100.0%
Department Expenses				
Suites	$ 2,617	$ 4,237	19.6%	18.0%
Food & Beverage	764	7,130	7.9	19.6
Telephone	402	629	2.9	2.1
Minor-Operated	**	661	**	1.5
Total	$ 3,743	$11,739	28.3%	38.8%
Department Profit				
Suites	$11,021	$11,320	75.7%	51.0%
Food & Beverages	(228)	128	(2.5)	1.0
Telephone	68	12	0.3	N
Minor-Operated	**	334	**	0.7
Rentals & Other Income	244	248	1.4	0.8
Total	$11,665	$12,357	72.6%	53.5%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$ 530	$ 957	3.3%	3.5%
Other	938	1,331	6.6	5.9
Total	$ 1,432	$ 2,308	10.4%	9.7%
Marketing				
Payroll & Related	$ 332	$ 480	2.3%	1.9%
Other	890	1,726	5.4	5.8
Total	$ 1,104	$ 2,251	7.0%	7.9%
Energy Costs	$ 991	$ 1,082	4.7%	4.1%
Property Operations & Maintenance				
Payroll & Related	$ 350	$ 432	1.9%	1.5%
Other	273	616	1.8	2.2
Total	$ 644	$ 904	4.5%	4.0%
Total Undistributed Operating Expenses	$ 3,519	$ 6,513	28.0%	26.2%
Income Before Management Fees	$ 7,871	$ 6,420	46.5%	25.7%
Management Fees (Base and Incentive)	$ 553	$ 812	3.4%	3.5%
Income Before Fixed Charges	$ 7,097	$ 5,602	41.9%	22.6%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.
N — Negligible.

Exhibit 15
General Statistics
All-Suite Respondents*

	Ratio of Income Before Fixed Charges to	
	Suite Sales	Total Sales
Median, All Establishments	43.0%	36.7%
Age		
Built Pre-1980	44.7%	39.4%
1980-1983	47.6	34.2
Post 1983	41.4	38.4
Size		
Under 200 Rooms	43.0%	39.5%
200 Rooms and Over	41.4	25.9
Rate		
Under $60.00	41.2%	37.9%
$60.00-$80.00	42.2	37.8
Over $80.00	46.4	33.3
Occupancy		
Under 70%	41.1%	33.3%
70% and Over	45.0	38.6
Region[1]		
East	42.9%	37.8%
Central	45.6	39.3
West	41.1	28.7
Total Sales		
Less than $5.0 Million	41.5%	39.3%
$5.0 Million and Over	43.2	27.0
Location[2]		
Center City	41.2%	30.4%
Suburban	43.9	37.5
All Others	41.3	35.3

*All amounts are medians.
[1]Region break downs can be found at Exhibit 6.
[2]Other locations include highway, resort and airport properties.

Exhibit 16
Suites Department
Amounts Per Suite and Ratios to Total Sales*

	All-Suite	Total U.S.†	Size of Property: Under 200 Suites	Size of Property: 200 Suites & Over
Revenue				
Suite Sales	$19,378	$12,562	$19,119	$19,378
Allowances	201	120	**	228
Net Revenue	$18,098	$12,671	$16,567	$18,952
Departmental Expenses				
Payroll & Related Expenses	$ 2,696	$ 2,208	$ 2,046	$ 3,147
Comm./Reservation Expense	244	270	229	298
Cleaning & Laundry	233	277	160	367
Operating Supplies	349	247	407	306
All Other Expenses	667	1,086	556	713
Total Expense	4,379	3,225	2,716	4,751
Net Departmental Income	$13,825	$ 9,186	$13,205	$14,167
Ratio to Total Sales				
Net Revenue	86.7%	63.4%	94.6%	74.8%
Payroll & Related Expenses	13.0	11.1	14.3	11.9
Net Departmental Income	64.9%	46.6%	73.4%	54.1%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.
†Total U.S. figures taken from the *U.S. Lodging Industry 1986*. Since every respondent does not fill in each line, sample sizes differ for each line item. Therefore, room sales and allowances are based on a different sample size than the net revenue figure.

Exhibit 17

Minor Operated Departments and Other Income
Amounts Per Suite and Ratios to Total Sales*

		Size		Occupancy		Average Rate		
	All-Suite	200 Suites or Less	Over 200 Suites	Under 70%	70% and Over	Under $60.00	$60.00–$80.00	Over $80.00
Telephone								
Sales	$668	$456	$689	$631	$669	$199	$745	$901
Cost of Sales								
Cost of Calls	344	318	377	391	342	268	417	335
Equipment Rental	91	63	130	56	170	37	170	**
Total	481	479	481	526	431	367	523	604
Payroll & Related Expenses	151	**	151	**	159	**	159	**
All Other Expenses	12	73	9	8	74	6	8	**
Total Costs & Expenses	594	526	629	611	549	385	617	728
Net Departmental Income or (Loss)	$ 54	$ 65	$ 36	$ 73	$ 18	$ (12)	$ (15)	$152
Ratio to Total Sales								
Sales	2.9%	2.9%	2.9%	2.9%	2.9%	2.0%	3.0%	3.2%
Cost of Sales	2.3	2.6	1.9	2.6	2.0	2.7	2.4	1.7
Payroll & Related Expenses	0.6%	**	0.5%	**	0.6%	**	0.6%	**
Minor Operated Departments								
Sales	$389	$266	$557	$543	$303	**	$328	$937
Cost of Sales	420	405	797	**	546	**	674	475
Payroll & Related Expenses	**	**	**	**	**	**	**	**
Other Expenses	96	**	109	**	**	**	**	**
Total Costs & Expenses	420	393	589	342	589	**	648	419
Net Departmental Income	$103	$ 79	$179	$103	$118	$ 39	$ 8	$445
Ratio to Total Sales								
Sales	1.5%	1.0%	1.9%	1.7%	1.1%	**	1.3%	2.6%
Cost of Sales	1.2	0.8	1.6	**	1.3	**	0.7	1.4
Payroll & Related Expenses	**	**	**	**	**	**	**	**
Rentals & Other Income								
Space Rentals	$ 88	**	$ 97	$ 28	**	**	**	**
Concessions	**	**	**	**	**	**	**	**
Commissions	17	**	28	**	24	**	10	**
Other	221	210	221	154	294	210	221	**
Total Rentals & Other Income	$250	$182	$352	$210	$302	$250	$238	$298
Ratio to Total Sales	1.2%	0.9%	1.4%	1.1%	1.2%	1.6%	0.9%	0.6%

*Based on those supplying detail. All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 18
Analysis of Undistributed Operating Expenses—By Selected Criteria*

		Age of Property			Size of Property	
	All-Suite	Pre-1980	1980-1983	Post 1983	200 Suites or Less	Over 200 Suites
Administrative & General						
Cost Per Suite						
Payroll & Related Expenses	$ 846	$1,313	$ 823	$ 600	$ 582	$1,046
Other	1,171	1,357	1,009	1,053	1,115	1,347
Total	$2,095	$2,612	$1,905	$1,598	$1,660	$2,325
Ratio to Total Sales	9.6%	10.2%	8.0%	10.1%	9.8%	9.6%
Marketing						
Cost Per Suite						
Payroll & Related Expenses	$ 398	$ 381	$ 546	$ 332	$ 331	$ 546
Other	1,121	866	1,154	1,121	890	1,347
Total	$1,761	$1,832	$1,814	$1,465	$1,403	$1,921
Ratio to Total Sales	7.0%	6.8%	6.0%	8.7%	6.8%	7.6%
Energy Costs						
Cost Per Suite	$1,082	$1,102	$1,190	$ 990	$1,028	$1,148
Ratio to Total Sales	4.7%	4.6%	4.3%	5.3%	5.3%	4.2%
Property Operation & Maintenance						
Cost Per Suite						
Payroll & Related Expenses	$ 420	$ 731	$ 459	$ 292	$ 373	$ 522
Other	468	493	617	342	368	599
Total	$1,014	$1,191	$1,084	$ 650	$ 777	$1,111
Ratio to Total Sales	4.1%	5.3%	3.6%	3.9%	4.1%	4.0%

*All figures are medians.

Exhibit 19
Management Fees—All Establishments

	Lower Quartile	Median	Upper Quartile
Amount Per Suite			
All-Suite	$556	$791	$1,049
Total U.S.†	$540	$782	$1,184
Ratio to Total Sales			
All-Suite	3.0%	3.8%	5.8%
Total U.S.†	2.9%	3.5%	4.2%

†Total U.S. figures taken from *U.S. Lodging Industry 1986.*

Exhibit 20
How the Marketing Dollar Was Allocated*

			Occupancy		Region[1]		
	Total U.S.†	All-Suite	Less than 70%	70% and Over	East	Central	West
Payroll & Related Expenses	25.7%	26.9%	22.9%	31.1%	24.8%	34.9%	19.8%
Sales Expenses	9.1	9.6	10.2	9.1	15.9	5.9	5.7
Advertising							
Print	12.9	16.9	15.0	18.9	15.8	10.4	26.5
Radio & TV	4.6	1.8	3.2	0.3	3.4	0.7	1.1
Outdoor	4.3	2.6	3.3	1.8	2.7	3.0	1.8
Other	10.8	11.2	14.5	7.8	12.0	11.5	9.8
Merchandising	2.4	1.3	1.0	1.6	0.8	2.3	0.8
Public Relations	2.8	5.5	2.9	8.3	1.8	5.2	10.9
Franchise Fees	11.2	13.8	21.8	5.2	17.7	12.5	10.0
All Other Expenses	16.2	10.4	5.2	15.9	5.1	13.6	13.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Based on those supplying detail. All amounts are means.
†Total U.S. figures taken from *U.S. Lodging Industry 1986.*
[1]Region breakdowns can be found at Exhibit 6.

Exhibit 71
Energy and Property Operations & Maintenance Departments—Cost Per Suite

	Energy Department						Property Operations & Maintenance Department		
	Fuel	Electricity	Water	Steam	Energy Credit*	Total Energy	Payroll & Related Expenses	All Other Expenses	Total Property Operations & Maintenance
All-Suite	$180	$ 768	$118	$223	**	$1,082	$420	$468	$1,014
Total U.S.†	$236	$ 747	$106	$ 98	$ 22	$1,143	$484	$555	$1,015
Region[1]									
East	$ 60	$ 779	$147	$266	**	$1,165	$713	$441	$1,116
Central	159	770	73	**	**	1,025	402	387	783
West	251	754	118	**	**	1,121	554	761	1,429
Location[2]									
Center City	$524	$ 713	$104	**	**	$1,193	$680	$473	$1,072
Suburban	113	757	122	203	**	1,057	408	460	1,014
All Others	180	1,095	128	**	**	1,345	359	710	995
Size									
200 Suites or Less	$ 98	$ 821	$ 80	$262	**	$1,028	$373	$368	$ 777
Over 200 Suites	195	766	137	199	**	1,148	522	599	1,111
Rate									
Under $60.00	$113	$ 660	$ 73	**	**	$ 795	$285	$300	$ 599
$60.00–$80.00	179	770	122	169	**	1,103	359	620	1,083
Over $80.00	259	945	142	297	**	1,270	753	595	1,223

*This information was not provided by any all-suite property.
**Insufficient response.
[1]Region breakdowns can be found at Exhibit 6.
[2]Other locations include highway, resort and airport properties.

Exhibit 22

Fixed Charges—Median Amounts Per Suite and Ratio to Total Sales—By Selected Criteria*

	All-Suite			Total U.S.†		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Amount Per Suite						
Rent	**	$ 478	**	$ 110	$ 348	$1,468
Property Taxes	438	655	1,046	366	591	982
Insurance on Buildings & Contents	108	200	263	77	167	282
Interest Expense	2,912	8,347	9,803	409	1,653	4,762
Depreciation & Amortization	1,471	2,978	5,798	1,243	2,021	3,335
Total Fixed Charges	$3,906	$8,197	$13,474	$2,347	$4,389	$8,723
Ratio to Total Sales	20.5%	35.6%	54.8%	11.5%	21.0%	33.4%

*Based on those supplying detail. All figures are medians.
**Insufficient response.
†Total U.S. figures taken from *U.S. Lodging Industry 1986*.

Exhibit 23

Statement of Income and Expenses Amounts Per Available Suite and Ratio to Total Sales*

	Amount Per Suite		Ratio to Total Sales	
	All-Suite	Total U.S.†	All-Suite	Total U.S.†
Average Annual Occupancy	69.3%	65.5%	69.3%	65.5%
Average Annual Suite Rate	$ 72.44	$ 53.81	$72.44	$53.81
Revenues:				
Suites	$18,098	$12,671	86.7%	63.4%
Food	3,664	4,907	13.0	22.1
Beverage	1,300	2,024	5.8	8.8
Other Food & Beverage	180	280	0.9	1.2
Telephone	668	495	2.9	2.4
Minor-Operated	389	184	1.5	0.7
Rentals & Other Income	250	245	1.2	1.1
Total	$22,405	$20,117	100.0%	100.0%
Department Expenses				
Suites	$ 4,379	$ 3,225	19.1%	16.6%
Food & Beverage	3,147	5,500	11.1	26.2
Telephone	594	507	2.6	2.5
Minor-Operated	420	217	1.5	1.0
Total	$ 7,324	$ 7,142	34.5%	35.9%
Department Profit				
Suites	$13,825	$ 9,186	64.9%	46.6%
Food & Beverage	(9)	1,275	(1.4)	5.7
Telephone	54	(2)	0.2	N
Minor-Operated	103	13	0.6	N
Rentals & Other Income	249	245	1.2	1.1
Total	$13,747	$11,516	64.3%	54.0%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$ 846	$ 1,000	3.7%	4.5%
Other	1,171	1,075	5.7	5.0
Total	$ 2,095	$ 1,994	9.6%	9.6%
Marketing				
Payroll & Related	$ 398	$ 436	1.8%	1.8%
Other	1,121	833	4.9	4.1
Total	$ 1,761	$ 1,195	7.0%	5.7%
Energy Costs	$ 1,082	$ 1,143	4.7%	5.5%
Property Operations & Maintenance				
Payroll & Related	$ 420	$ 484	1.8%	2.4%
Other	468	555	2.1	2.7
Total	$ 1,014	$ 1,015	4.1%	5.2%
Total Undistributed Operating Expenses	$ 5,520	$ 5,825	25.6%	26.4%
Income Before Management Fees	$ 7,886	$ 5,746	38.5%	26.4%
Management Fees (Base and Incentive)	$ 791	$ 782	3.8%	3.5%
Income Before Fixed Charges	$ 7,158	$ 4,857	36.7%	22.2%

*All amounts are medians and do not necessarily add to the totals shown.
**Insufficient response.
N — Negligible.
†Total U.S. figure taken from the *U.S. Lodging Industry 1986*.

Exhibit 24
Statement of Income and Expenses
Amounts per Available Suite*

	Age of Property		
	Pre-1980	1980–1983	Post 1983
Average Annual Occupancy	75.0%	70.9%	61.4%
Average Annual Suite Rate	$ 75.03	$ 70.09	$ 72.11
Revenues			
Suites	$20,270	$,569	$16,072
Food	1,303	4,688	2,278
Beverage	**	1,084	1,351
Other Food & Beverage	189	393	120
Telephone	705	744	446
Minor-Operated	586	823	179
Rentals & Other Income	584	186	154
Total	$24,404	$21,608	$19,380
Department Expenses			
Suites	$ 5,083	$ 4,362	$ 3,126
Food & Beverage	1,577	3,147	4,586
Telephone	512	629	485
Minor-Operated	529	528	346
Total	$ 7,324	$ 9,223	$ 4,657
Department Profit			
Suites	$15,494	$13,785	$11,269
Food & Beverage	(418)	(4)	(207)
Telephone	151	35	80
Minor-Operated	179	130	47
Rentals & Other Income	584	186	154
Total	$17,863	$14,169	$11,634
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related	$ 1,313	$ 823	$ 600
Other	1,357	1,009	1,053
Total	$ 2,612	$ 1,905	$ 1,598
Marketing			
Payroll & Related	$ 381	$ 546	$ 332
Other	866	1,154	1,121
Total	$ 1,832	$ 1,814	$ 1,465
Energy Costs	$ 1,102	$ 1,190	$ 990
Property Operations & Maintenance			
Payroll & Related	$ 731	$ 459	$ 292
Other	493	617	342
Total	$ 1,191	$ 1,084	$ 650
Total Undistributed Operating Expenses	$ 6,763	$ 5,121	$ 4,624
Income Before Management Fees	$10,632	$ 9,503	$ 6,955
Management Fees (Base and Incentive)	**	$ 786	$ 742
Income Before Fixed Charges	$ 9,196	$ 7,909	$ 6,267

*All amounts are medians and do not necessarily add to the totals shown.
**Insufficient response.
N — Negligible.

Size of Property		Average Rate		
200 Suites or Less	Over 200 Suites	Less than $60.00	$60.00–$80.00	Over $80.00
69.1%	70.5%	66.5%	72.4%	69.3%
$ 63.50	$ 73.81	$ 52.70	$ 72.32	$ 87.04
$16,567	$18,952	$12,028	$18,796	$24,977
838	4,688	1,283	2,278	4,880
341	1,601	290	1,261	2,477
120	337	109	180	375
456	689	199	745	901
266	557	**	328	937
182	352	250	238	298
$19,979	$23,106	$13,027	$22,290	$32,218
$ 2,716	$ 4,751	$ 2,651	$ 4,450	$ 6,200
764	3,899	1,049	3,722	5,450
526	629	385	617	728
393	589	**	648	419
$ 3,743	$11,546	$ 3,082	$ 8,460	$13,115
$13,205	$14,167	$ 9,833	$14,440	$19,799
(108)	N	97	(135)	(638)
65	36	(12)	(15)	152
79	179	39	8	445
182	351	250	237	298
$13,580	$13,747	$ 9,790	$13,956	$21,111
$ 582	$ 1,046	$ 520	$ 776	$ 1,671
1,115	1,347	801	1,331	1,699
$ 1,660	$ 2,325	$ 1,597	$ 2,093	$ 3,422
$ 331	$ 546	$ 332	$ 389	$ 677
890	1,347	990	893	1,816
$ 1,403	$ 1,921	$ 1,160	$ 1,490	$ 2,525
$ 1,028	$ 1,148	$ 795	$ 1,103	$ 1,270
$ 373	$ 522	$ 285	$ 359	$ 753
368	599	300	620	595
$ 777	$ 1,111	$ 599	$ 1,083	$ 1,223
$ 4,582	$ 6,490	$ 3,754	$ 5,969	$ 8,384
$ 8,480	$ 7,886	$ 5,662	$ 8,710	$11,915
$ 793	$ 790	$ 565	$ 955	**
$ 6,759	$ 7,521	$ 5,092	$ 7,719	$11,248

Exhibit 25
Statement of Income and Expenses Ratio to Total Sales*

	Age of Property		
	Pre-1980	1980–1983	Post 1983
Average Annual Occupancy	75.0%	70.9%	61.4%
Average Annual Suite Rate	$ 75.03	$ 70.09	$ 72.11
Revenues			
Suites	89.3%	83.3%	92.2%
Food	5.6	16.5	9.7
Beverage	**	3.0	5.5
Other Food & Beverage	0.9	1.3	0.7
Telephone	3.0	2.8	2.8
Minor-Operated	2.1	3.2	0.7
Rentals & other Income	1.5	0.8	0.9
Total	100.0%	100.0%	100.0%
Department Expenses			
Suites	22.2%	16.0%	19.7%
Food & Beverage	7.9	15.2	19.6
Telephone	2.1	2.5	2.6
Minor-Operated	2.3	1.6	1.0
Total	32.5%	36.1%	32.5%
Department Profit			
Suites	66.9%	61.3%	68.6%
Food & Beverage	(2.2)	N	(1.3)
Telephone	0.4	0.1	0.5
Minor-Operated	0.8	0.9	0.3
Rentals & other Income	1.5	0.8	0.9
Total	67.1%	69.3%	65.1%
Undistributed Operating Expenses			
Administrative & General			
Payroll & Related	5.4%	3.2%	3.3%
Other	5.5	4.7	7.1
Total	10.2%	8.0%	10.1%
Marketing			
Payroll & Related	2.4%	1.5%	1.7%
Other	4.8	4.3	6.5
Total	6.8%	6.0%	8.7%
Energy Costs	4.6%	4.3%	5.3%
Property Operations & Maintenance			
Payroll & Related	2.4%	1.6%	1.5%
Other	1.9	2.1	1.9
Total	5.3%	3.6%	3.9%
Total Undistributed Operating Expenses	27.2%	22.4%	27.2%
Income Before Management Fees	39.3%	35.9%	42.2%
Management Fees (Base and Incentive)	**	3.4%	4.7%
Income Before Fixed Charges	39.4%	34.2%	38.4%

*All amounts are medians.
**Insufficient response.
N — Negligible.

Size of Property		Average Rate		
200 Suites or Less	Over 200 Suites	Less than $60.00	$60.00–$80.00	Over $80.00
69.1%	70.5%	66.5%	72.4%	69.3%
$ 63.50	$ 73.81	$ 52.70	$ 72.32	$ 87.04
94.6%	74.8%	92.9%	88.1%	71.9%
3.1	16.7	9.5	9.7	16.5
3.3	6.5	2.6	5.5	6.8
0.7	1.1	0.7	0.7	1.1
2.9	2.3	2.0	3.0	3.2
1.0	1.9	••	1.3	2.6
0.9	1.4	1.6	0.9	0.6
100.0%	100.0%	100.0%	100.0%	100.0%
20.1%	18.3%	21.5%	19.4%	17.2%
4.9	16.5	10.4	11.0	15.2
2.7	2.2	2.7	2.7	2.2
1.0	2.3	••	2.4	1.4
24.9%	39.2%	28.8%	36.7%	34.7%
73.4%	54.1%	68.6%	66.9%	58.9%
(0.7)	(1.3)	0.6	(1.9)	(1.9)
0.3	0.1	N	N	0.4
0.3	0.8	0.1	N	1.1
0.9	1.3	1.6	0.8	0.6
75.4%	57.1%	71.1%	61.0%	59.1%
3.7%	3.6%	3.3%	3.6%	4.8%
6.5	5.3	6.9	4.8	5.0
9.8%	9.6%	9.7%	9.1%	9.7%
2.1%	1.6%	2.5%	1.6%	1.4%
5.4	4.7	6.5	4.2	4.7
6.8%	7.6%	9.1%	5.9%	7.0%
5.3%	4.2%	5.9%	4.8%	4.0%
1.8%	1.7%	1.5%	1.5%	2.1%
1.8	2.1	2.0	2.0	1.9
4.1%	4.0%	3.9%	4.2%	4.7%
26.7%	25.0%	29.7%	24.0%	24.7%
46.0%	31.4%	43.8%	36.3%	35.9%
5.1%	3.2%	4.0%	3.5%	••
39.5%	25.9%	37.9%	37.8%	33.3%

Exhibit 26
Statement of Income and Expenses
Amounts Per Available Suite*

	Occupancy		Total Sales	
	Less than 70%	70% and Over	Less than $5 Million	$5 Million and Over
Average Annual Occupancy	61.1%	75.2%	72.5%	69.0%
Average Annual Suites Rate	$ 72.37	$ 72.48	$ 64.59	$ 79.67
Revenues				
Suites	$15,543	$20,270	$15,611	$20,154
Food	4,495	1,419	1,070	6,227
Beverage	1,601	389	276	2,755
Other Food & Beverage	253	163	117	396
Telephone	631	669	631	735
Minor-Operated	543	303	156	936
Rentals & Other Income	210	302	184	482
Total	$22,130	$23,106	$17,630	$33,007
Department Expenses				
Suites	$ 4,079	$ 4,467	$ 3,126	$ 5,190
Food & Beverage	3,773	1,672	1,356	6,290
Telephone	611	549	512	658
Minor-Operated	342	589	332	529
Total	$ 9,223	$ 7,324	$ 3,919	$13,592
Department Profit				
Suites	$11,300	$15,494	$12,604	$15,342
Food & Beverage	N	(130)	(108)	375
Telephone	73	18	64	35
Minor-Operated	103	118	23	444
Rentals & Other Income	210	302	184	482
Total	$11,745	$15,514	$11,691	$18,576
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$ 845	$ 838	$ 674	$ 1,335
Other	1,129	1,211	956	1,699
Total	$ 1,894	$ 2,186	$ 1,643	$ 3,002
Marketing				
Payroll & Related	$ 404	$ 362	$ 330	$ 709
Other	1,124	1,040	990	1,752
Total	$ 1,920	$ 1,402	$ 1,337	$ 2,451
Energy Costs	$ 1,056	$ 1,147	$ 1,038	$ 1,191
Property Operations & Maintenance				
Payroll & Related	$ 445	$ 401	$ 353	$ 752
Other	468	493	384	668
Total	$ 949	$ 1,045	$ 782	$ 1,211
Total Undistributed Operating Expenses	$ 6,338	$ 5,387	$ 3,976	$ 7,619
Income Before Management Fees	$ 5,903	$ 9,558	$ 6,973	$ 9,754
Management Fees (Base and Incentive)	$ 792	$ 710	$ 742	$ 1,012
Income Before Fixed Charges	$ 4,775	$ 8,577	$ 6,113	$ 9,894

*All amounts are medians and do not necessarily add to the totals shown.
**Insufficient response.
N — Negligible.
[1]Region breakdowns can be found at Exhibit 6.
[2]Other locations include highway, resort, and airport properties.

Region[1]			Location[2]		
East	Central	West	Center City	Suburban	All Others
72.5%	65.8%	70.7%	61.2%	72.5%	67.3%
$ 75.03	$ 60.61	$ 74.68	$ 72.19	$ 74.34	$ 75.44
$20,270	$14,047	$18,225	$15,886	$18,098	$19,131
3,663	820	6,808	3,613	1,994	6,567
1,389	440	2,039	2,000	763	3,185
180	138	553	109	232	350
797	612	437	708	739	534
710	85	••	769	289	1,382
210	168	482	630	154	415
$24,421	$16,384	$23,874	$22,519	$22,246	$23,874
$ 4,773	$ 2,670	$ 6,282	$ 5,046	$ 3,882	$ 6,282
4,665	729	3,836	2,650	2,604	10,453
682	503	593	682	540	611
528	176	••	417	307	2,049
$10,983	$ 3,750	$ 7,625	$10,155	$ 6,603	$ 7,995
$15,494	$11,960	$13,394	$13,729	$14,482	$13,394
(694)	(9)	4,313	48	(367)	326
132	148	(67)	64	170	(75)
203	23	79	224	47	262
210	168	482	630	154	415
$14,991	$12,316	$18,627	$14,801	$13,482	$13,940
$ 1,046	$ 602	$ 1,207	$ 742	$ 881	$ 1,124
1,429	1,005	1,316	1,279	1,091	1,316
$ 2,670	$ 1,675	$ 2,441	$ 2,093	$ 2,098	$ 2,441
$ 398	$ 330	$ 557	$ 392	$ 384	$ 557
1,169	850	1,710	1,006	1,169	1,375
$ 1,919	$ 1,271	$ 2,115	$ 1,615	$ 1,818	$ 2,115
$ 1,165	$ 1,025	$ 1,121	$ 1,193	$ 1,057	$ 1,345
$ 713	$ 402	$ 554	$ 680	$ 408	$ 359
441	387	761	473	460	710
$ 1,116	$ 783	$ 1,429	$ 1,072	$ 1,014	$ 995
$ 6,895	$ 3,848	$ 5,411	$ 6,174	$ 5,932	$ 5,411
$ 7,814	$ 7,871	$10,310	$ 8,455	$ 7,540	$ 8,101
$ 806	$ 565	$ 812	$ 800	$ 814	$ 693
$ 7,719	$ 7,097	$ 6,904	$ 5,092	$ 6,820	$ 7,408

Exhibit 27
Statement of Income and Expenses Ratio To Total Sales*

	Occupancy		Total Sales	
	Less than 70%	70% and Over	Less than $5 Million	$5 Million and Over
Average Annual Occupancy	61.1%	75.2%	72.5%	69.0%
Average Annual Suite Rate	$ 72.37	$ 72.48	$ 64.59	$ 79.67
Revenues				
Suites	79.1%	89.3%	93.8%	70.6%
Food	16.3	8.4	6.1	16.6
Beverage	6.5	2.6	2.6	7.2
Other Food & Beverage	1.1	0.7	0.7	1.1
Telephone	2.9	2.9	3.0	2.7
Minor-Operated	1.7	1.1	0.8	1.9
Rentals & Other Income	1.1	1.2	1.2	0.9
Total	100.0%	100.0%	100.0%	100.0%
Department Expenses				
Suites	19.1%	19.1%	20.6%	17.8%
Food & Beverage	15.2	10.2	7.2	18.4
Telephone	2.7	2.3	2.7	2.0
Minor-Operated	1.0	1.9	1.3	1.6
Total	34.7%	32.5%	30.0%	37.7%
Department Profit				
Suites	58.9%	67.4%	72.0%	50.3%
Food & Beverage	(0.5)	(1.9)	(1.6)	1.6
Telephone	0.3	N	0.3	0.1
Minor-Operated	0.4	0.6	0.2	0.9
Rentals & Other Income	1.1	1.1	1.2	0.9
Total	62.7%	67.1%	71.8%	55.7%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	4.3%	3.3%	3.8%	3.6%
Other	6.5	4.9	5.8	4.8
Total	9.8%	8.8%	10.4%	9.4%
Marketing				
Payroll & Related	2.3%	1.6%	2.0%	1.8%
Other	6.5	4.4	6.0	4.3
Total	8.9%	6.1%	7.8%	6.8%
Energy Costs	5.3%	4.6%	5.0%	3.8%
Property Operations & Maintenance				
Payroll & Related	1.8%	1.6%	1.8%	1.7%
Other	2.1	1.8	1.9	2.2
Total	4.0%	4.0%	4.0%	4.5%
Total Undistributed Operating Expenses	28.8%	24.6%	27.8%	24.3%
Income Before Management Fees	33.9%	40.1%	43.7%	31.9%
Management Fees (Base and Incentive)	4.8%	3.0%	4.4%	3.2%
Income Before Fixed Charges	33.3%	38.6%	39.3%	27.0%

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.
N — Negligible.
[1]Region breakdowns can be found at Exhibit 6.
[2]Other locations include highway, resort, and airport properties.

Region[1]			Location[2]		
East	Central	West	Center City	Suburban	All Others
72.5%	65.8%	70.7%	61.2%	72.5%	67.3%
$ 75.03	$ 60.61	$ 74.68	$ 72.19	$ 74.34	$ 75.44
83.8%	92.9%	75.5%	90.5%	86.2%	78.6%
12.6	7.6	23.9	16.0	9.7	20.4
5.7	2.7	7.0	6.8	2.9	7.2
0.7	0.8	1.4	0.4	1.1	1.4
2.9	3.2	1.3	3.0	3.1	1.5
1.7	0.7	••	1.4	1.1	2.9
0.6	0.9	1.5	2.2	0.8	1.3
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20.6%	17.1%	18.3%	22.0%	17.2%	18.3%
15.8	8.5	16.3	10.9	10.7	21.2
2.5	2.7	1.4	3.0	2.5	2.2
1.4	1.5	••	1.2	1.5	4.1
36.3%	27.3%	38.5%	34.7%	30.0%	39.1%
64.3%	73.8%	50.7%	66.9%	66.5%	50.8%
(2.5)	(0.7)	9.8	0.9	(1.6)	2.7
0.3	0.9	(0.2)	0.4	0.7	(0.3)
0.6	0.2	0.9	0.9	0.3	0.9
0.6	0.9	1.5	2.2	0.8	1.3
59.9%	73.8%	64.4%	63.6%	63.9%	63.0%
3.8%	3.3%	3.8%	4.1%	3.3%	3.3%
5.2	5.2	5.7	5.4	5.6	5.7
9.7%	9.7%	9.4%	9.7%	10.2%	8.5%
1.6%	2.1%	1.9%	2.5%	1.8%	1.5%
4.9	4.5	5.6	4.8	5.4	5.5
6.9%	6.7%	8.0%	6.9%	7.8%	6.5%
4.7%	6.0%	4.1%	4.9%	4.5%	4.7%
1.8%	1.8%	1.5%	2.1%	1.8%	1.5%
1.7	1.8	2.4	1.8	1.9	2.3
3.8%	4.0%	4.6%	4.2%	4.0%	3.8%
24.4%	26.7%	25.0%	26.6%	27.8%	24.4%
34.9%	43.9%	35.7%	35.9%	37.6%	36.8%
3.2%	4.0%	6.2%	3.2%	4.0%	4.5%
37.8%	39.3%	28.7%	30.4%	37.5%	35.3%

UNDERSTANDING MEDIANS & MEANS

The annual studies written by the Research Division of Laventhol & Horwath utilize medians for the majority of their reported results. This article will give an in-depth explanation on medians and quartiles, as well as briefly discuss means, along with practical uses of both.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full-time employees—8,4,2,6,9,7,5,1,3; these numbers would be arranged sequentially—1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In conjunction with medians, lower and upper quartiles are used to give a further description to the sample results. Occasionally, we use means to report data, but we believe the median is the most appropriate method to report our results. This is because the median gives less biased results. Medians keep results from being skewed by one or two respondents. For example, if a few responding hotels incurred large operating losses, these losses would be divided evenly among all hotels in the sample (when using mean calculations) and bring down the average net profit of the entire group, which for the most part may have had respectable profits.

Quartiles divide the responses into four equal parts, with the median still being the middle value. The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 through 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart below.)

While reading this report, it should become evident that columns do not total when medians are involved. The reason behind this is EACH LINE ITEM IS ANALYZED SEPARATELY! In Table I when all amounts are arranged sequentially, the median amount per suite for total revenue is $22,405. This figure is based on the 60 properties that gave us information for this specific line item.

Theoretically, if each property reported each line item, and one property happened to have the median value for each type of revenue, then the medians would total. But since not every property has a food and beverage operation, or a minor department, the sample size changes for each line item. Different sample sizes is one reason why figures do not add to the totals shown.

There is another major reason that columns do not total. When using medians, it is important to remember that the median food sales, the median beverage sales and the median total sales figures reported probably represent the results for three separate restaurants, even though the sample size of each may be equal. This also holds true for lower and upper quartile figures.

The terms MEAN, AVERAGE, and ARITHMETIC MEAN are all synonymous. A mean is calculated by summing the results and dividing by the number of responses. In Table II, the sum of the number of restaurant seats is 1,940. Divide this by the nine respondents and the mean (average) is 216 seats per restaurant. By comparison, the median number of seats is 140. It is obvious that the average is skewed by the two restaurants with 500 and 600 seats.

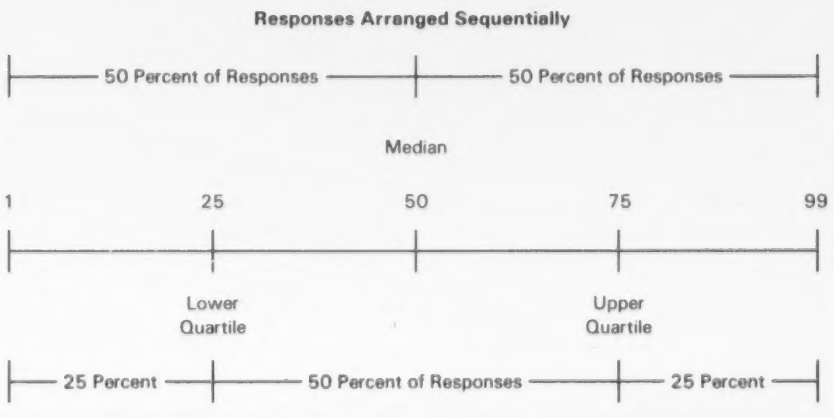


Table I

	Amount Per Suite		
	Lower Quartile	Median	Upper Quartile
Revenues			
Suites	$13,587	$18,098	$24,130
Food	1,038	3,664	6,564
Beverage	251	1,300	3,147
Other Food and Beverage	95	180	396
Telephone	429	668	881
Minor-Operated	104	389	1,073
Rentals and Other Income	100	250	525
Total	$14,729	$22,405	$30,548

Table II
Restaurant Seating

Hotel Restaurant	Number of Seats	Average Daily Seat Turnover	Number Seats Occupied Daily (Column 1 × Column 2)
1	60	3.80	228
2	80	4.20	336
3	100	3.70	370
4	120	2.90	348
5	140	2.00	280
6	160	1.70	272
7	180	1.90	342
8	500	1.20	600
9	600	1.00	600
Total	1,940	22.40	3,376
Median	140	2.00	342[1]
Average (rounded)	216	2.49	538

[1]The median number of seats occupied daily is 342 (the middle value of column 3). Notice that this is not equal to the product of the median number of seats multiplied by the median average daily seat turnover, which is 280. It is incorrect to use medians in calculations, such as addition or multiplication.

Table II shows a group of hotels that provided information on the number of restaurant seats available. They also provided the number of guests served, so the average daily seat turnover was calculated. The average number of seats for this sample is approximately 216 (1,940 divided by 9) and the median number of seats is 140 (the middle value of all respondents when responses are arranged sequentially). The average seat turnover is 2.49 and the median is 2.00. With this information, the mean and median for the number of seats occupied daily can be calculated.

- The median number of seats occupied daily is 342 (the middle value of column 3).
- To compute the average number of seats occupied per day, multiply the average number of seats per restaurant of 216 by the average daily seat turnover of 2.49. This gives the average daily seat turnover of approximately 538. The mean number of seats is greatly influenced by the two large properties with 500 and 600 seats.

As shown, median and means both have their uses, with medians not being affected by one or two responses that vary significantly from the rest of the sample. This is the main reason the majority of our studies report the data as medians.

**The number used for sample sizes are representative and are not actual sample sizes.*

BASES AND SIGNIFICANCE OF LODGING STATISTICS

Number of Suites

The number of suites used in several computations is the total number of suites available for guest rental during the year. All suites used for management, employees and storerooms are not included in these totals.

Room Occupancy

The percentage of room occupancy is computed by dividing the total number of rooms occupied by the total number of rooms available for occupancy throughout the year. Seasonal fluctuations are thus removed, allowing properties in various locations to be compared for the same period. Seasonal variations can be seen when analyzed on a monthly basis, such as in the *National Trend of Business in the Lodging Industry*.

Average Suite Rate

The average suite rate is computed by dividing rooms revenue, net of all allowances, by the total number of suites occupied. Affecting this rate is the percentage of double occupancy associated with each property. Double occupancy is the percentage of rented suites occupied by two or more persons. As the double occupancy increases, the suite rate also should rise, since lodging facilities customarily charge a fee for each additional person occupying the guest suite.

Comparison of Operating Results

Due to the current uncertainties surrounding financing methods, operators of lodging establishments may lease all or part of their assets. Because of high construction and interest costs, many operators have turned to creative financing techniques. Fixed costs may differ significantly for operators who lease their assets compared with those who own theirs. It is difficult to compare those operations with high depreciation and interest charges with those that are not required to pay any of those fees. To alleviate any possible difficulties in comparison, it is recommended that the reader analyze results before fixed charges are deducted.

Means, Medians and Quartiles

Most of the figures in this lodging survey are given as medians and quartiles rather than means. The median and upper and lower quartiles are calculated by first arraying all the numbers in the order of the lowest to the highest figure. The number that falls in the middle of the list is the median. The figure halfway between the lowest number and the median is the lower quartile, while the figure halfway between the median and the highest number is the upper quartile. To arrive at an arithmetic mean, divide the sum of the values by the number of items used. Table 1 illustrates the difference between the two.

The inclusion of a unit with high sales per occupied room may bring about a mean that is not as representative of the group as the median.

Productivity Index

The productivity index measures employee productivity in terms of the total revenue received for each dollar spent on payroll expenses. It is computed by dividing total revenue by total payroll and related expenses.

Inventory Turnover

Gross cost before deducting employees' meals divided by the average of the opening and ending inventories.

Table 1

	Room Sales	Occupied Rooms	Room Sales Per Occupied Room
Hotel A	$ 800,000	42,600	$ 18.78
Hotel B	1,200,000	56,550	21.22
Hotel C	1,450,000	58,750	24.68
Hotel D	1,875,000	61,725	30.38
Hotel E	2,225,000	66,500	33.46
Total	$7,550,000	286,125	$128.52
Median			$ 24.68
Mean	($128.52/5)		$ 25.70

EXPLANATION OF TERMS

Suite Sales

Guest suite revenue from accommodations on a part-day, full-day or longer period basis, net of any rebates and discounts.

Rentals and Other Income

Rental income from stores, offices, clubs and other spaces not classified as concessions used for business purposes. Also includes revenue from concessions, income from vending machine operations, commissions (including pay stations) and interest earned.

Restaurant

Cost (Food)—Cost of food sold, after deduction of the cost of employees' meals.

Cost (Beverage)—Cost of beverages sold, after deduction of the cost of employees' beverages.

Payroll—Stewards, chefs, cooks, waitress and busboys, dishwashers, butchers, vegetable cleaners, bakers, pantry help, etc.; wine stewards and bartenders; stock clerks, storekeepers, cost clerks, checkers and cashiers.

Income, Departmental—Total restaurant sales and other restaurant income less total cost of food and beverages consumed, payroll and related expenses and other direct restaurant expenses.

Sales, Total Restaurant (Food and Beverage)—Gross sales of food and beverages less allowances. Cover charges and other miscellaneous restaurant income are not included.

Management Fees

Fees charged by a management organization for management service or supervision should be charged to this account.

Income Before Fixed Charges

For purposes of this study, income before fixed charges is defined as total departmental revenue from all sources (suites, telephone, food and beverage department income, minor operated departments income, store rentals and other income) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

Further explanation may be found in *Uniform System of Accounts for Hotels.*

ANALYZE YOUR OPERATION

Periodic analysis of the financial performance of your lodging establishment may provide early earning signs of potential problems. Examination on a regular basis could reveal undesirable trends and provide the opportunity for corrective action. The worksheet on the next page is designed to provide a quick analysis of key items to reveal problem areas.

Follow these simple instructions for completing the worksheet:

1. Enter your figures in the first column.

2. Select the appropriate medians for comparison from the tables or text.

3. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

Worksheet

Amount Per Available Suite	Your Figures	Medians or Quartiles From *All-Suite Lodging Industry* Report		
Revenue				
Suites	$			
Food	$			
Beverage	$			
Telephone	$			
Rentals and Other Income	$			
Total	$			
Cost of sales				
Food	$			
Beverage	$			
Payroll and Related Expenses	$			
Departmental Expenses Suites	$			
Food & Beverage	$			
Telephone	$			
Total	$			
Undistributed Expenses (Excluding Payroll) Administrative & General	$			
Marketing	$			
Energy Costs	$			
Property Operation & Maintenance	$			
Total	$			
Income Before Fixed Charges	$			
Fixed Charges	$			
Rent	$			
Property Taxes	$			
Insurance	$			
Interest	$			
Depreciation	$			
Total	$			
Net Income Before Income Tax	$			

Supplemental Operating Information

General Statistics				
Occupancy	%	%	%	%
Average Rate Per Occupied Suite	$	$	$	$
Income Before Fixed Charges				
Ratio to Total Sales	%	%	%	%
Productivity Index	times	times	times	times

LEISURE TIME INDUSTRY CONTACTS

Laventhol & Horwath has, since its inception, specialized in providing sophisticated advisory services to all facets of the lodging industry. The Leisure Time Advisory Services practice is the largest of its kind in the country in terms of fee volume, professional staff, geographic diversification and service capability. L&H routinely serves as adviser to the nation's most prominent hotels, developers, financiers, syndicators and industrial corporations on methods used in developing, financing, managing, operating and marketing lodging properties.

The following tables list the services L&H provides to the lodging industry as well as names of the appropriate contact person.

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Area of Specialization	Office	Contact
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The directory of Laventhol & Horwath's offices is on page 63.

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Report	Cost 1 year	Cost 3 years	Publication Date in 1986
A. U.S. Lodging Industry	$65	$165	August
B. Worldwide Hotel Industry	65	165	September
C. U.S.Economy/ Limited-Service Lodging Industry	65	165	September
D. Texas Lodging Industry	50	120	September
E. Florida Lodging Industry	50	120	September
F. California Lodging Industry	50	120	September
G. U.S. Resort Lodging Industry	50	120	August
H. All-Suite Lodging Industry	65	165	September
I. California Restaurant Operations	50	120	August
J. Lifecare Retirement Center Industry	50	120	October
K. Gaming Industry Financial Results	50	120	August
L. Lodging Compensation Survey	50	120	November

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